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GENERAL

International Symposium Discusses Third World Development

Development Strategies Outlined

40050540 Hong Kong LIAOWANG [OUTLOOK]
OVERSEAS EDITION in Chinese No 19,
8 May 89 pp 5-6

[Article by Lu Yao 7120 6674: "Development Strategies for Third World Countries, China"]

[Text] The current international trend toward warmer relationships and more dialogue presents Third World countries with both an excellent opportunity to develop their economies and a critical challenge. Developing countries are concerning themselves with the issues of how to capitalize on an advantageous international environment and what developmental strategy to adopt in order to hasten their own economic development. Recently, an international symposium on Third World development strategies took place in Beijing, and the nearly 100 high-level government officials, experts, and scholars in attendance, representing 30 countries and 12 international and regional organizations from Asia, Africa, and Latin America, expressed their respective views on Third World development strategies, spoke out freely, and offered numerous opinions and proposals of value.

Aside from the handful of newly industrialized Third World countries, most of the 100-plus Third World countries are currently suffering a worrisome plight. People living in developing countries account for four-fifths of the world's population, and the vast majority of these people remain in situations of poverty and backwardness. New economic, scientific, and technological developments further exacerbate a preexisting economic disparity between the North and the South. Thus, many of the participants at the symposium pointed out that the question of Third World development not only concerns the Third World itself but also carries with it ramifications for the development of the world as a whole and peoples everywhere. As Li Yimeng [2621 0001 3047], director of the China International Exchange Association, pointed out in his opening address at the symposium: "Without widespread Third World development the world economy will not develop and world peace and stability cannot be maintained."

Developmental Strategies Must Conform to the Unique Conditions of Each Country

During the course of the discussion on developmental strategies, symposium participants all stressed the fact that developmental strategies must conform to the unique conditions of each country. When searching for and formulating developmental strategies, countries must both fully consider their own actual conditions and abilities and also fully take into consideration the rapidly

changing international environment so as to make accurate decisions and appropriate adjustments. The head of the Developmental Programming Department of the United Nations Asia-Pacific Economic Committee, opposes the idea of having developing countries imitate the developmental models used by developed countries. He pointed out that blind replication of the experiences of other countries will not necessarily lead to success. A Philippine scholar, Dr T. Aquino, mentioned that formulation of economic policies for developing countries must conform to the people's interests of each country and it is often the case that international organizations will come up with programs for developing countries without considering the interests of the country itself.

Some of the symposium participants pointed out that a developmental strategy is not a fixed model. Because identical countries may be in different stages of development, they must follow their different economic and social conditions as well as the international environment and switch over to different developmental strategies. In addition, within the same country regional differences may exist and this would necessitate different developmental strategies. An example of this would be how different developmental strategies are required for the coast of China and the hinterland.

How Should We Treat Inner-Directed Versus Export-Oriented Economies?

The issue of inner-directed and export-oriented economies provided for ardent discussion. Whether one examines speed of development or the strengthening of product competitiveness on the international market, the export-oriented "four dragons" of Asia enjoy a distinct advantage over the inner-directed countries of Latin America where import replacement has long been practiced. However, is an export orientation, that has brought success to the "four dragons" of Asia, applicable to other developing countries? Representatives differed on this point. Professor Chen Qiyi [7115 0366 5030] of Venezuela felt that export orientation was not suitable as a long-term developmental strategy for China. He said that China is a heavily populated developing country with a fairly large domestic market and the model used by the "four dragons" is not necessarily suitable to China. Andrews (?Bianji), assistant executive secretary of the United Nations Latin American Economic Commission felt that exports drive the development of countries like Singapore. But for India and China, exports can never become the driving force behind economic growth and can only serve as a lubricant of economic development. The Soviet scholar Semenova felt that domestic needs have to be considered when adopting an export-oriented strategy and that one should proceed only to the extent that the demand for consumer goods at home is being satisfied. Some participants pointed out that an export-oriented strategy would increase the dependence on the international market and this makes it easier for a country to be hurt by the international market. Director Ge Ji [5514 0165] of the West Asia and Africa

Research Department of the Chinese Academy of Sciences felt that if all Third World countries were to study the "four dragons" of Asia and adopt an export-oriented economic strategy, the results would be catastrophic. Because the international market is limited, if Third World countries only increased their exports of certain products and then went out to compete in this limited market, product prices would inevitably drop way off and each would bring only losses upon himself.

Other symposium participants pointed out that certain developing countries that have domestic markets with fairly great potential are now trying to combine import replacement and export-orientation strategies of development in their search for ways that suit the particular characteristics of the countries themselves. That is, they are starting from the foundation of self-reliance and primacy of the domestic economy and are using import replacement to build a fairly complete national economic system while at the same time gradually opening up to the outside, actively assimilating foreign capital and introducing advanced technology, and encouraging the development of export products so as to spur continual advancement of the national economy. It remains to be seen whether this sort of developmental strategy will be successful.

Do Market Economies or Planned Economies Exist in a Pure Sense?

Symposium participants had some interesting things to say on the subject of market economies and planned economies. The Soviet scholar Semenova said that, generally speaking, planned economies are associated with socialism, whereas market economies are associated with capitalism. But in reality, planning exists in a capitalist economy such as when it occurs within an enterprise and planning in modern monopolistic capitalism now extends beyond national boundaries. At the same time, elements of a market economy can be found in socialism. One could say that all countries of the world now operate under economic systems employing a mixture of market economy and planned economy factors. Neither pure planned economies nor pure market economies exist. Director Chen Qiyi of the Economics Research Institute of Catholic University in Venezuela felt that future societies will be neither capitalist nor socialist but will practice social capitalism whereby planning will occur within factories, but society as a whole will operate under a market economy. Assistant Director Jiang Chunze [3068 2504 2344] of the Foreign Economic Systems Department of the China System Reform Committee pointed out in his talk on "system optimization" that, once capitalistic societies enter their monopolistic phase, the so-called free market in its pure sense soon becomes a myth. State intervention as well as all sorts of measures for coping with crises now exist in capitalist societies where they act as macro mechanisms for regulating the system. In addition, property rights take on multitudinous forms. However, the various forms do not fundamentally alter the essence of private ownership of

production materials that occupies a guiding position. In spite of the system traditionally employed, the economies of socialist countries do not employ public ownership of production materials and highly concentrated planning across the board. In the process of reform the people have actively sought out new forms of public ownership, such as the shareholding system, combined enterprises, and enterprise groups. However, changes in the form of public ownership have not altered its essence. He said that China's development of a planned commodity economy both improved and established new systems for macro regulation and control and furthered development of the market. In summary, "system optimization" does not mean making a choice between the two pure systems. He felt that reform does not mean simply replacing an old system with a new one. Reform entails a long process of introducing and transplanting new systems. Thus, one cannot act with undue haste. The key lies in genuinely choosing an economic system that will enable one to enjoy clear economic progress.

Social Stability Is an Important Condition for Economic Development

The relationship between social stability and economic development provided a key point for discussion at the symposium. Participants widely concurred in the view that political and social issues must be given consideration at the same time that focus is being placed on economic development. When the state of political democracy is good, economic development may be furthered. A less than auspicious state could have a negative effect on economic development. Director Xiao Feng [5618 2800] of the Chinese Institute for International Economic Cooperation pointed out that the current process of liberalization that China is engaged in has led to an increase of unstable elements. This is due to the fact that, in setting up new functions, the reforms have shook up the existing political and economic structures and certain unavoidable phenomena of a chaotic nature have emerged in the course of replacing the old with the new. He felt that instituting political democracy at this current stage should be done gradually without being impatient for success. Otherwise, social instability will be exacerbated and turmoil will gradually result. Political stability is an important condition for national development. No developmental model can be achieved without political stability. Political stability has played an important role in agricultural development.

Suggestions on Handling Inflation

40050540 Hong Kong LIAOWANG [OUTLOOK]
OVERSEAS EDITION in Chinese
No 19, 8 May 89 pp 6-8

[Article by Lu Yao 7120 6674: "Suggestions for China on Handling Inflation"]

[Excerpts] At the conclusion of the International Symposium on Development Strategies for Third World Countries, Assistant Director Gao Shangquan [7559

1424 0356] of the China National Economic System and Political Reform Committee invited six Latin American scholars to talk about the state of currency inflation in Latin America and what measures have been taken to remedy it. He also requested that the scholars give him their views and proposals on how China can deal with its currency inflation. The Assistant Executive Secretary of the United Nations Latin American Economic Committee first gave a comprehensive introduction to inflation as it has impacted Latin America in the 1980's and analyzed the experiences Latin American countries have had in their efforts to control inflation. The other five scholars also made presentations at the discussion. [passage omitted]

Views and Proposals on Dealing with Inflation in China

The other Latin American scholars gave their views on inflation in China at the discussion and tabled their proposals for combatting it. First, they felt that China would find the going much easier than certain Latin American countries in controlling inflation. This is because inflation has only recently cropped up in China, it has not persisted for long periods of time, the people have not yet come to expect continued inflation, and comprehensive indexation programs have not yet been implemented. Moreover, China's inflation emerged in the context of economic development. If it had cropped up during economic stagnation it would be much more difficult to control.

Second, they emphasized that decisive measures must be adopted in a timely fashion to control inflation and they should succeed without the need for further measures.

They said that certain countries in Latin America failed to adopt timely measures to control inflation when it first appeared and thus additional mechanisms had to be called into play to control inflation.

Third, Andrews (?Bianji) felt that under the current conditions in China the primary method to overcome inflation should be to balance public revenues and expenditures. He felt that the process of eliminating public deficit spending is a complex and difficult one and it requires combat on all fronts. Measures to adopt include increasing tax revenues, raising the efficiency of state-run enterprises, reducing investment, and cutting back on public spending and subsidies.

Fourth, measures must be taken to fundamentally balance the relative prices of products. Bianji felt that if prices are frozen when agricultural products and fuels are priced too low, the result will be a freezing of a distorted price system that is and that one will be setting up a time bomb for the other. He said that this cannot last for long and commodities will become in short supply. When Brazil froze its prices it froze an artificially distorted price system with the result that in a few months cars were sold out because at the time car prices were already artificially suppressed.

Fifth, Secretary Armando Bolledo of the Freedom Party Research Institute of Colombia felt that it is inadvisable to adopt the indexation measure of linking wages to prices because this will result in prices and wages pushing each other up in a vicious cycle.

Modern Art Exhibition Creates Storm
40050498 Hong Kong CHIUSHIH NIENTAI [THE
NINETIES] in Chinese No 231, Apr 89 pp 50-52

[Article by Ya Lan 1246 5695: "'Action Artists' Mar
Modern Art Exhibition"]

[Text] The Chinese Modern Art Exhibition opened at the China Art Gallery on Chinese New Year's Eve [5 February 1989]. This was a much talked-about event in the wake of the nudist art exhibition and was a long time in the making. The exhibition opened to a huge, enthusiastic crowd. On display was art in a variety of highly original forms: an artist washing his feet, others hatching eggs, distributing condoms, selling prawn. It was a chaotic scene. A little after 1100 on opening day, two shots were heard in the east hall on the first floor.

Arrested by Police and Released

Because the exhibition took place during the Spring Festival, the crowd thought someone was setting off firecrackers and neither paid much attention nor panicked. But a public security bureau chief who happened to be on duty in the east room on the first floor was ready. Instantly he realized these were the sounds of a gun being fired. He dashed out of the exhibition room with lightning speed and arrested a young man at the main entrance.

The person who opened fire was Xiao Lu [5618 7627], daughter of Xiao Feng [5618 7364], director of the Zhejiang Art Academy. One of her works, "Dialogue," was among those featured in the Chinese Modern Art Exhibition. The man arrested was her boyfriend, who collaborated with her on "Dialogue."

"Dialogue" featured two life-size telephone booths made of high-grade aluminum alloy separated by a large mirror, suggesting that the two booths were engaged in a "dialogue," as were the audience and themselves as reflected in the mirror.

One hour after the exhibition opened, Xiao Lu stood in front of the mirror with her boyfriend and fired a gun twice at the mirror before handing the weapon to her boyfriend. As he was about to escape, the young man discovered that public security personnel had rushed to the scene. He hurriedly handed the gun back to Xiao Lu and dashed for the door to divert their attention from her so that she could get away. He was arrested. In the afternoon on the same day, Xiao Lu turned herself in at the Beijing municipal public security bureau with her gun.

In the aftermath of the shooting, the Chinese Modern Art Exhibition was closed.

Xiao Lu and her boyfriend explained to the police that they were "action artists." Realizing their work was imperfect, they decided to remake it. The shooting, they said, was merely a form of "action art" remaking.

The police accepted their explanation and quickly released Xiao Lu and her boyfriend. Strangely enough, two newsmakers involved in a shooting incident thus quietly left Beijing and never reappeared at the Chinese Modern Art Exhibition.

Bomb Scare at the Exhibition

The Modern Art Exhibition went on. The next day, BEIJING RIBAO, the Beijing municipal party committee, and the China Art Gallery all received an anonymous letter composed of newspaper-type characters cut and pasted together. Its gist was that the exhibition must be closed immediately or else bombs would be placed at three locations in the exhibition hall of the China Art Gallery.

After the shooting incident, the public security bureau took the letter seriously and closed the exhibition once again. Hundreds of public security personnel descended on the China Art Gallery to conduct a blanket search. Bomb experts and police dogs worked through the night and combed the art gallery inside out, from top to bottom, checking every nook and cranny. But no bombs were found.

Earlier, the Art Gallery had announced to the public that it would be closed for the Spring Festival. When the holiday was over, the Chinese Modern Art Exhibition was opened for the third time. The two incidents had heightened public interest, so the exhibition was now drawing even bigger crowds. But tension was high in the exhibition hall. Workers were out in force and uniformed and plainclothes policemen blanketed the site inside and outside.

Actually there never were any bombs. All this was the creative work of the "action artists." Their purpose was to shake up society. To the "action artists," the Chinese Modern Art exhibition was an unprecedented success. By participating in the exhibition, they hoped to test present-day China's tolerance for their "action art," the extent to which society was receptive to it, and the tolerance of China's legal system. All their goals were achieved.

The Gun of General Zhang Aiping

In China and many other countries in the world, the possession of firearms registered in somebody else's name and the firing of a gun in public are illegal, socially disruptive acts. You may wonder therefore why Xiao Lu and her boyfriend were released so quickly. Why were the Chinese police so lenient toward artists?

Rumors had it that the "police accepted Xiao Lu's explanation" and that the "female artist and her boyfriend are the children of senior cadres." Quite wrong.

It is true that Xiao Lu's boyfriend is a son of the commander of the Zhejiang military district, who can be considered a senior cadre. On the other hand, Xiao Lu's father is a mere director of the Zhejiang Art Academy, not a senior cadre, although he has close ties to many senior cadres. But that is not why they were treated leniently. The true reason is that the gun used by Xiao Lu belonged to General Zhang Aiping [1728 1947 1627]. Xiao Lu said she stole it from Zhang Aiping's house. (Xiao Lu's father and General Zhang Aiping are bosom friends.)

No sooner had Xiao Lu and her boyfriend been arrested than a host of high-ranking personnel arrived to visit them. When the law runs up against big shots like them, it becomes impotent.

Apparently this example of "action art" was well thought out in advance. What kind of gun was to be used? Whose gun? When was it to be fired? How to get away afterwards? The question the "action artists" and the Chinese people were asking themselves following the shooting was this: If the gun belonged to somebody else, if it had been fired by another person, what would have happened?

The bomb scare at the Modern Art Exhibition is also believed to be the handiwork of the "action artists." At last they have succeeded in shaking up the public security agency, the news media, and the organizer of the exhibition. Some "action artists" said their works "paled in comparison."

A Heap of Garbage Attracting a Swarm of Flies

After reviewing artistic and literary policy, Minister of Culture Wang Meng [3769 5536] ordered that henceforth similar art exhibitions be staged only after examination and investigation by the Ministry of Culture and that the main hall on the first floor of the China Art Gallery not be used for art exhibitions, but only for the display of orthodox artistic works.

In the past, both artistic thought and artistic creation were quite lively because of limited government interference and control. Now more interference and control is expected in the days ahead. Director Yang Lizhou [2799 0500 5297] of the Artistic Department of the Art Bureau of the Ministry of Culture said that previously it was difficult to get a chance to talk to the minister about matters of art. Not so after the Modern Art Exhibition. In fact, the minister has taken the initiative to talk to him on several occasions.

During the current Modern Art Exhibition, three groups were the most outrageous: the "action group," the "dada group," and the "bobo group." Apart from "Dialogue," their representative works include the following:

—A writer, dressed in red and covered with photographs of President Reagan, washed his feet in a large wooden basin in the exhibition hall. (Because Beijing was then in the depths of winter, his feet got so cold that they became red and swollen. He had to keep adding hot water to the basin.)

—Another writer surrounded himself with numerous eggs. A placard on him said, "No discussion during incubation so as not to disturb the next generation." This piece of work was titled "Incubation."

—A group of writers inflated some condoms and put them on display as if they were pamphlets.

—A group of writers shipped 400 jin of prawn from Zhoushan Archipelago off Zhejiang Province and hawked their ware at the site, calling their work "big business." After they were stopped by the organizers, they put up this sign at their booth, "Temporarily closed for inventory."

None of these works had been cleared by the organizers beforehand. They were put up on opening day and were taken down later after the organizing unit objected.

This kind of "modern art" is controversial. Some people say they are a heap of junk that attracts a swarm of flies.

Needless to say, there are also many fine artistic works. One example is "Typesetting," by Xu Bing [1776 0393] of the Central Academy of Art. A collage of rubbings from stone inscriptions and styles of calligraphy, it is highly original in both conception and form and is also profoundly meaningful.

So What Is All the Fuss About?

In China, modern art is exploratory art. We can neither embrace nor oppose it totally. Since it is exploratory, some of it is good, some nonsensical. The evolution of modern art around the world suggests that it must go down one of these two paths: one, gradual maturation and final success, and two, a brief existence followed by a natural death. It is really nothing to be alarmed about.

Modern art necessarily conflicts with traditional art. It helps enliven artistic thought and diversify creation.

The several branches of modern art in China call for the dismantling of political as well as artistic and ideological shackles. Hence their close ties to politics.

One such branch is "action art." It traces its origins to the "1985 action art." Late 1985 was a time when Beijing University students enjoyed the greatest measure

of openness in their thinking and freely invited scholars to give lectures on campus. Guang Yao [1639 2565], an "action artist," staged an action art show at Beijing University. Wrapped in white cloth, he put himself on display even as he kept painting. The crowd was also invited to paint or scribble on his white cloth as it pleased. It proved to be a hit. Subsequently, some students from the Central Academy of Art and Central Academy of Industrial Art staged an even larger "action art" show at the university, which caused a stir on campus and in society. Because they tended to think alike, "action artists" naturally merged with those in the student movement.

Even before the shooting incident and the bomb scare, the mere participation of "action artists" in the modern art exhibition at the China Art Gallery already ensured high-level attention from the public security agency. An army of public security personnel, including the bureau chief, were on duty in the exhibition hall as if they were about to confront a formidable enemy.

"Do you know Chen Jun?"

The initiator and organizer of the Chinese Modern Art Exhibition, Gao Minglu [7559 6900 3406] (editor of MEISHU), is an admirer of modern art, but not "action art." The day the exhibition opened, he talked some action artists out of displaying their works there.

During the latter part of the exhibition, 33 figures from the intellectual circle supported Fang Lizhi's [2455 0536 0037] signature-collecting campaign to free political prisoners like Wei Jingsheng [7614 0079 3932]. The authorities were terrified at the prospect of the modern art exhibition joining forces with the signature-collecting movement. Earlier, a bureau chief from the CPC Propaganda Department had sought out Ge Weimo [5514 4850 1075] of the China Artists' Association to ask him about the situation and to warn him. Ge Weimo immediately looked up Gao Minglu and asked him if he knew Chen Jun [7115 6511]. Gao Minglu said no.

By then the "action artists" had decided to join the signature-collecting movement gathering force under Chen Jun's leadership. Through the actions of a go-between, modern artists congregated at Jiejie Restaurant, located on Shenlu Street off Chaowaida Street, which was owned by Chen Jun, to celebrate the Modern Art Exhibition. A favorite haunt of foreign journalists, Jiejie Restaurant had long been under surveillance by public security personnel. When modern artists, including Gao Minglu, arrived at Jiejie Restaurant, the "action artists" and a number of self-employed artists were putting their signatures on the joint letter signed by Fang Lizhi and the 33 other intellectuals.

When Gao Minglu met Chen Jun for the first time, he instantly thought of Ge Weimo's question—"Do you know Chen Jun?"—and realized the seriousness of the situation. Chen Jun and others asked him whether he

wanted to sign. Gao Minglu replied that he was an artist, was not involved in politics, and did not want to sign. To the "action artists," the signature-collecting movement was a righteous act aimed at securing freedom, democracy, and human rights. Still, they believed that everyone should be completely free to decide for himself whether or not to sign. Led by Gao Minglu, a group of modern artists who were unwilling to sign left the restaurant. Their refusal to sign deprived the government of an excuse to crack down on modern art.

During the opening of the Modern Art Exhibition, Gao Minglu took exception to some of the works on display, saying, "This is not art. They should be beaten up." His words made their way to the "action artists." A day after he left Jiejie Restaurant, an "action artist" went to argue with Gao Minglu and beat him up, smashing his eyeglasses.

Marxism Facing 'Crisis of Confidence'

40050507 Hong Kong CHAO LIU [TIDE] in Chinese
No 25, 15 Mar 89 pp 13-15

[Article by Zhang Xianyang 1728 7359 2254: "Marxism Undermined by Internal Contradiction"]

[Text] This lengthy treatise, never before published on the mainland, was kindly sent to us for publication by the author. It is a systematic study of the "serious crisis" now facing Marxism: Inconsistencies within the Marxist body of thought have created a crisis of confidence even as dogmatization and absolutization devitalize it. After thinking long and hard about Marxism, the writer puts forward ways of "overcoming" the crisis.

The original title of this treatise is "Marxism: Reflection and Transcension." Our editor has added subheadings but has otherwise left the content unchanged.

Zhang Xianyang, 52, is a native of Taicang County, Jiangsu Province. A student of Marxism for many years, he was formerly director of the Marxism-Leninism Office of the Marxism-Leninism Institute, Chinese Academy of Social Sciences. Currently, he is a researcher at the institute. For an account of his research, thought, and the events surrounding his expulsion from the CPC, please refer to the article "Zhang Xianyang: A Reformer Theoretician With Independent Thinking," a special dispatch from Beijing by Zhang Kangkang [1728 2123 2123], vice chairman of the Heilongjiang Writers Association, which appeared in Issue 21 of this publication.

This article examines a grim topic that life has posed for us: Why has Marxism, which used to be so dynamic, fallen into a crisis? How can it find a way out?

Marxism Facing a Serious Crisis

Without question, Marxism has had a glorious advance. It puts mankind's happy dreams about the future since the 16th century on a scientific path. It traces the origins

of capitalism and explores its present and future, using methods of philosophy and history. It is an extensive and profound body of thought on social change. For almost 1 and ½ centuries, it spread throughout the world, from Europe to North America, Asia, Latin America, Oceania, and Africa. Even more important, on one-third of the world's land, mankind has successfully brought about social change under the banner of socialism. Today Marxism is no longer a mere ideology, thing, or culture. It is a colossal political and social reality.

Be that as it may, there is no denying the fact that Marxism is facing a serious crisis today. Marxists were convinced they had discovered the law of social development. But the way society develops has time and again deviated from such a law. Marx once predicted with confidence, "The centralization of means of production and the socialization of labor have reached a point at which they have become incompatible with their capitalist shell. This shell is about to be broken. The death knell of capitalist private ownership is about to be sounded. The exploiter will soon become the exploited." However, more than a century has come and gone. Far from breathing its last, capitalism has demonstrated a new vitality. Today it is still the capitalist world that is the leader and pioneer, whether in economics, technology, democratic politics, or social security. Even more ominous is the fact that there are no signs suggesting that the situation will change in the foreseeable future, say in 30 or 50 years.

Marx and his followers were once convinced that as soon as the proletariat seized power under the leadership of the communist party, established the public ownership of means of production, introduced economic planning, and practiced distribution according to work, social productive forces would develop rapidly and a just, equal, and prosperous socialist society would come into being. More than 70 years after the triumphant October Revolution, however, not one socialist society has reached the expected goals. Not only have they suffered one economic setback after another, but their people have benefited politically and socially much less than theory would suggest.

Without Reform, Socialism Is Doomed

Today, reform is under way in almost every socialist nation. Of course, this is a very good thing. Nobody who is genuinely concerned about the future of socialism disapproves of reform. But what does reform mean? To reform is to depart from the original path, there being no alternative but to take measures to save the nation from subjugation and ensure its survival after suffering hardship after hardship. As Gorbachev said, "To delay reform may soon lead to a worsening of the situation at home. Frankly, we have a potential social, economic, and political crisis in the country." This is true in other socialist countries as well as in the Soviet Union. Reform may well be the last chance for realistic socialism. If we let this last chance be hijacked by dogmatists and groups

seeking to further private interests, we will be left with little room to maneuver. With his insight, Deng Xiaoping linked reform to our membership in the modern world. But how do we really go about reforming? We are still groping for an answer. Nobody can say for sure that reform will succeed.

It has been 1 and ½ centuries since Marxism was born and 70 years since the socialist revolution triumphed. Two enormous contradictions have emerged between theory and reality. To put it crudely, those who should die have not, while those who should live well do not. This unexpected objective course of events has puzzled both politicians and theoreticians. Thus two issues thought to have been resolved a long time ago—"What is capitalism; where is it headed?" and "What is socialism; where is it headed?"—are confronting us anew. To a Marxist, the question is: "What is Marxism; where is it headed?"

Contradictions in Marxism

The crisis in Marxism manifests itself not only in the lack of an answer to the two questions above, which are of universal historical significance (do not lump together ideological faith and scientific answers), but also in a contradiction within the Marxist body of thought.

As we all know, on the whole the Marxist system of thought was internally consistent in the days of Karl Marx. Its key concepts and theses were in harmony with and could justify one another. No longer. The onslaught of time and practice has destroyed the internal harmony between the various concepts and theses that make up Marxism. For instance, the development level of productive forces, according to traditional Marxism, ultimately determines the general sequence of socialist revolutions in the world as well as the look of society as a whole. Even if the first salvo of the socialist revolution is not fired in the most advanced capitalist nation, it will begin in the more advanced capitalist countries. On a global scale, this means that Western Europe would be the first to experience a socialist revolution, followed gradually by other areas. Reality, however, has turned out to be completely different: Socialism has triumphed in one backward country after another, while not a single advanced nation has had a successful socialist revolution.

To get around this inconsistency between theory and reality, Lenin explained the victorious October Revolution in terms of "uniqueness." He said, "There is nothing incompatible between the universal law of world historical development, on the one hand, and the uniqueness that a particular phase of development displays, on the other. On the contrary, such uniqueness is a premise." But why is such uniqueness a premise? Lenin did not explain. He went on to say, "Russia is sandwiched between civilized nations and countries in the Orient or outside Europe that were driven into the ranks

of civilized nations for the first time by this war. Therefore, Russia may, in fact, display a certain uniqueness. While this uniqueness does not deviate from the common pattern of world development, it does distinguish the Russian revolution from other previous revolutions in Western Europe. Moreover, as it makes its way to countries in the Orient, this uniqueness becomes part of some other new political concepts."

Sequence of Revolutions Not Determined by Productive Forces

Since Lenin did not live long enough to see the actual sequence in which socialist revolutions occurred in the world after the October Revolution, we can understand why he theorized as he did. On the one hand, he adhered to the "universal rule of world historical development," or the "common line of world development." On the other hand, he argued that this general rule or common line was not incompatible with the uniqueness of any particular phase of development. In fact, since the October Revolution, with a few isolated exceptions, it is increasingly the backward countries that undergo revolutions. This presents us with a question: With revolutions occurring first in backward countries instead of advanced nations, which is the uniqueness of a particular phase of development, where can we find the "general law of world historical development" or the "common line of world development," that is, the idea that the development level of productive forces determines the sequence of socialist revolutions in the world?

We can resolve this contradiction between theory and practice in just two ways. Maybe Marx was completely mistaken; the sequence of socialist revolutions in the world is not determined by the development level of productive forces. Or maybe the revolutions that have occurred thus far are simply not socialist revolutions as originally understood. The real socialist revolution still lies in the future. Clearly the latter explanation is too academic.

In the sense that they have "abolished private ownership," those revolutions that have thus far succeeded undoubtedly belong in the ranks of socialist revolutions. If we are right in making this judgment, what conclusion can we draw? It seems that we should conclude that socialist revolutions can be divided into two types. The progress of a socialist revolution as a revolution per se does not depend on the development level of productive forces. But is the progress of a socialist revolution as a gradual process, that is, a social change brought about by incremental improvements, dependent on the development level of productive forces? It is still too early to tell. The first type of revolution usually takes place in backward nations. This has been proved by experience. The second type of revolution may occur in developed nations, a prospect social democrats are exploring. Whether or not this classification of socialist revolutions is valid, one thing is irrefutable: time and practice have driven a giant wedge between the "development level of

productive forces" and the "general sequence of socialist revolutions in the world." The linkage between the two, once thought to be so certain, so pervasive, has been shown to be more questionable.

Contradictions in Marxism Leading to a Crisis of Confidence

This contradiction is no small matter to the Marxist system of thought. It is these two concepts that are used to bridge the gap in Marxism between historical philosophy, on the one hand, and the theory of social revolution, on the other. Now that the link between the two has been severed, the transition is on shaky ground. Many people are skeptical about the historical philosophy of Marxism or the validity of the Marxist concept of history, primarily because the necessary evidence concerning the progress of socialist revolutions is lacking in the real world. Then there are others who doubt the logic of the socialist revolutions that have succeeded because their success is not supported by Marxist historical philosophy or the Marxist concept of history. The upshot of all this is that people no longer look forward to the future of the socialist revolution as confidently as they did in the days of Karl Marx.

The Marxist system of thought abounds with similar contradictions. Since space is limited, we cannot cite them here. The revelation of internal divisions within Marxism did not begin today. In fact, there were signs of such divisions as soon as Marxism stopped being a mere theory and was put into practice. Nor is it only now that people notice this phenomenon. Lenin's interpretation of the success of the October Revolution mentioned above was precisely a response to it. The problem is that, because of limits imposed by historical circumstances, people did not and could not have foreseen the overall seriousness of the situation, assuming that, if they interpreted the original concepts and theses and their relationships a little flexibly, they could fit the altered reality and new experience into the existing theoretical framework, thereby preserving the internal consistency and harmony of Marxist philosophy. Today, people have finally come to realize that the problem is not that simple: minor tinkering will do no good.

Dogmatism and Absolutism Devitalizing

The crisis is indeed a serious one. If Marxists fail to face up to it, Marxism will, sooner or later, be "disqualified." Judging from the history of human thought, any system of thought that has offered man something new may be dogmatized or absolutized by its adherents as a result of a measure of success. Such dogmatization and absolutization render it helpless in the face of new challenges posed by new circumstances. In the end, it would disintegrate under the onslaught of a new body of thought. Marxists should not repeat the mistake of history. With its profound nature, Marxism should be able to free itself from such a destiny. Thus, the crisis is not frightening to us; a crisis is often pregnant with new opportunities.

However, if we remain apathetic, bury our heads in the sand, and insist that everything is coming up roses even as we know full well the crisis is deepening, that would

indeed be frightening. Now that we are aware of the problem, we should confront reality, admit there is a crisis, identify its source, and do our best to overcome it.

NATIONAL AFFAIRS, POLICY

Academic Examines Problems in Shareholding System

HK2107090089 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 5, 20 May 89 pp 57-60, 80

[Article by Wu Jianqi 2976 1696 1142 of the Hebei Academy of Finance and Economics: "Contradictions in Practicing the Shareholding System"—dated March 1989]

[Text] At present, many localities and enterprises are showing great interest in the shareholding system and are taking steps to experiment with and promote this system. In theoretical circles, discussion of the shareholding system has also seen a process whereby enthusiasm has turned into disinterest, and this disinterest has again turned into enthusiasm. I am convinced that the shareholding system does have an advantage over the contract system in effecting the readjustment of the industrial structure, optimizing enterprise organization, raising funds, spreading business risks, minimizing administrative intervention, encouraging long-term behavior on the part of enterprises, absorbing surplus purchasing power, slowing inflation, and so on. However, I do not think that we should publicize the shareholding system as a cure-all, as the contract system was at first made out to be. In fact, some of the strong points displayed by the shareholding system in a fully developed market economy may not work in China, where the market system is incomplete, the market mechanism is not fully developed, and the price system is not reasonable. As things stand now, there are many contradictions between blind promotion of the shareholding system and development of the national economy. If we rush into action and practice this system on a large scale without making an objective analysis and taking necessary countermeasures, the result may be contrary to our wish. The shareholding system will be doomed and enterprise reform, which has just taken a substantial step forward, will die a premature death.

What are the contradictions in the practice of the shareholding system in China?

1. The contradiction between "profit considerations" in investment activities under the shareholding system and the state's slanting industrial policies.

The main purpose of China's industrial policies is to protect strategic industries, support the development of new industries, further develop bottleneck industries and limit the development of overdeveloped industries. The result of the blind promotion of the shareholding system under existing conditions is contrary to this very requirement of the state's industrial policies. It has expanded the overdeveloped industries and cut down the underdeveloped industries. What is worrisome about our present industrial structure is that the proportion of basic industries in the entire industrial sector is getting

smaller and smaller. Rather than expanding, the growth rate of the four basic industries—metallurgical, electricity, coal, and petroleum—is lagging behind the average growth rate of the entire industrial sector in recent years. Due to power shortages, about a quarter of our production facilities cannot operate normally. Due to the shortage of infrastructure facilities and raw and semifinished materials, more than a third of the large- and medium-sized projects completed and put into production in recent years are operating at half their designed capacity.¹ Thus, in order to promote the normal growth of the economy as a whole, we should implement a substantially slanting industrial policy, do our best to develop basic industries, and cut back on the processing industries which already have excessive production capacity.

Due to the following two factors, the indiscriminate practice of the shareholding system not only will not do the structural readjustment any good, but will exacerbate the already serious structural contradictions. The first is that under the shareholding system nearly all investment activities are based on "profit considerations"; the second is that the profit rates of different industries are "inverted" on account of the skewed price system. As far as the first factor is concerned, it is perfectly normal for shareholders to determine the direction of their investment on the basis of anticipated dividends and on share value. The shareholding system is itself a product of the market economy. In a market economy, all economic decisions (including investment decisions) are by nature profit-oriented. If we say that the decision signals of investors are largely not profit-oriented in China's conventional socialist economic mode, after a decade of reform, a decade of profit incentives, we will say that the situation is quite different today as people's "economic concept" and "profit sense" have become much stronger. If this is the case with state-owned enterprises, one can well imagine what shareholding enterprises, which are established spontaneously by the people themselves, will be like. As for the "inverted" profit rates of some industries, it has long been pointed out that China's price structure is grossly unreasonable. In the course of reform, we have not only been unable to effectively avoid "a return of price parity" but have in fact made things worse in recent years. For instance, we can only exchange 5,000 jin of crude oil for one bottle of Maotai.² The power and coal industries are running at a loss.³ On the other hand, the profit rates of processing industries such as textiles, machine building, metal, and rubber works are quite impressive.⁴ Under such a price structure and with the profit rates of different industries as they are, it is not difficult to understand why the growth rate last year of refrigerators and color television sets, which consume a lot of energy and materials, outstripped the growth rate of raw coal, crude oil, electricity, iron, steel, and other basic industries by several fold.⁵ The investment incentive of shareholding enterprises comes from the temptation of high dividends, but in China, at present it is the processing industries that are in need of a cutback that promise

large profit margins, and the basic industries, which are urgently in need of development, that have low profit margins. The "inverted" prices and "inverted" profit rates will inevitably produce "inverted" investment intents. Under the shareholding system, this means that huge sums of money from the community will be channeled in a direction that goes against the state's industrial policies.

However, the above-mentioned contradictions of the shareholding system do not constitute a reason to stop practicing this system. The shareholding system no doubt needs to be further developed. The important thing is that we should, in the light of China's actual conditions, adopt policies that can enable us to develop our strong points and avoid weaknesses. In this connection, my suggestions are: First, we should study how industries are to be classified under a shareholding economy. Second, the shareholding system should be practiced only in selected industries. The authorities concerned will draw up a list specifying which departments and enterprises may raise funds by means of share issues and which cannot. By classifying industries, grading enterprises, and channeling funds into different directions, it will be possible to coordinate development of the shareholding system with the requirements of the state's industrial policies. Third, the state should institute a system of preferential dividends in shareholding enterprises of basic industries so as to encourage members of the community to invest in bottleneck industries. Fourth, restrictions should be imposed on collective enterprises and township and small town enterprises practicing the shareholding system. Since township and small town enterprises and collective enterprises enjoy considerable freedom, they are more likely to head in the direction of overdeveloped industries under the guidance of a distorted price structure. In January this year, the number of state-owned enterprises with a high return increased by only 3.7 percent, while that of township and small town enterprises with low returns was up by 25 percent.⁶ However, various localities are still promoting implementation of the shareholding system, which has an automatic expansion function first in collective enterprises.⁷ This is like adding fuel to the flames as far as the abnormal industrial structure is concerned.

2. The contradiction between the investment expansion function of the shareholding system and the state's retrenchment policy.

Under the present circumstances of overheated economic development, excessive growth, overlarge scale of capital construction and excessive demand, it is no doubt necessary for the state to practice a policy of retrenchment in financial and monetary affairs. However, because the shareholding system has an investment expansion function, the experimental promotion of this system and the increase of fund-raising channels have objectively produced an "offset effect" on the policy of

macroeconomic retrenchment. If steps are not promptly taken, the retrenchment program could be adversely affected and the recent efforts at "cooling off" could be rendered futile.

One of the major contradictions in socialist economics is that between the hard restrictions on resources in the overall economy and the soft restrictions on budgets in basic-level economic entities. In other words, the shortage of resources (including funds and natural resources) has objectively posed actual restrictions on economic development, but only the highest policy-making departments will be able to "actually feel" the "hardness" of such restrictions. The "feeling" of basic-level economic entities is that the more resources they can secure, the better it will be for their own development. Hence, unrestrained efforts to secure funds (and in a given sense this also applies to other resources) become characteristic behavior for basic-level economic entities. At present, their channels of securing funds have become diversified. These channels include financial appropriations, bank loans, loans from nonbanking credit institutions, share issue, bond issue, lottery issue, joining a factory with capital, letting capital guide labor, in-house savings, in-house shares, in-house dividend-off fund-raising, asset risk security, dispersed wage deposits, and so on.⁸ By way of analogy, the state as a whole is a "capital flow connecting device"; the limited funds of the state are the water stored in the connecting device, while the above-mentioned channels are the taps installed on the same connecting device, and each and every one of these "taps" can release water. All the "taps" must be kept under control, for there will be the danger of "flooding" even if only a single "tap" is allowed to flow freely. At present, the state retrenchment policy in fact only controls two "taps," namely, state expenditure and the bank. The other "taps," such as share issues, are still left running in the grand name of intensified reform. Our hopes of achieving anything in our retrenchment efforts are bound to fall through if these two conflicting policies are implemented.

In reality, the emergence of the shareholding system in China owed very little to genuine needs for "mechanism conversion." From the outset, the investment expansion function of the shareholding system has been taken as a means of countering the state's retrenchment policy.⁹ The rise of other forms of fund-raising was most probably also due to the need to offset the adverse effects of the retrenchment policy on localities and enterprises.¹⁰ The laissez-faire policy adopted by the central authorities toward blind development of the shareholding system and other means of fund-raising has already produced its side effects. To date, people from the economic to the theoretical circles have not yet soberly realized this problem. The departments concerned and the media still refer to spontaneous acts of fund-raising, such as the shareholding system, which will offset the effects of the retrenchment policy, as models of "bold innovation" and publicized them as such. For instance, the Shijiazhuang television station fully endorsed the

deeds of the party members of the city's Tourist Fabrics Printing and Dyeing Factory and No 2 Printing and Dyeing Factory in taking the lead to raise several hundred thousand yuan in dividend-off funds. JINGJI RIBAO also expressed approval for the "in-house issue of shares" by Fuzhou Water Meter Plant because it was "confronted with a fund shortage and had difficulty securing loans."¹¹ Regardless of which locality or enterprise is involved, once the shareholding system is adopted, expansion activities will be "legalized." In my opinion, spontaneous acts such as fund-raising by means of share issue and "in-house fund-raising" not only will offset the effects of the state's retrenchment policy but will absorb bank deposits and adversely affect the state's monetary program because they offer high dividends (and in the case of dividend-off fund-raising other forms of compensation are offered). What is worse, it will abet the already serious situation where resources are scattered about, thus objectively reducing the utilization rate of resources.

In view of the contradiction between the expansion function of the shareholding system and the state's retrenchment policy, I suggest that the following measures be taken: 1) Unified control should be exercised over share issue and similar acts on the part of various localities and enterprises. Fund-raising should be limited, restructured, and incorporated into the state's credit plan (in a broad sense). 2) The issue of shares, bonds, lotteries, and similar means of fund-raising should be placed under the unified control of state financial departments so as to provide the necessary organizational guarantee for unified management of fund-raising activities in society. 3) The "shareholding fever" and "fund-raising storm" that swept localities should be cooled off and development plans should be postponed until after promulgation and implementation of relevant policies for unified control.

3. The contradiction between the tendency of the shareholding system to stimulate overbuying and the state's policy to reduce demand and check inflation.

At present, a generally accepted view that is reflected in most theories put forward for checking inflation is that the practice of the shareholding system will facilitate rather than undermine efforts to check inflation. Even policymaking departments are viewing trial application of the shareholding system as an important measure for checking inflation. Based on an analysis of its specific content, I think that the shareholding system as practiced in China today can be divided into two categories, namely the added-asset shareholding system and the current-asset shareholding system. These two systems have different effects on inflation. If we are not careful, practicing the shareholding system not only will not help bring down the rate of inflation but may produce the side effect of adding fuel to the flames. Thus, we should not sweepingly talk about the good points of the shareholding system, but should, rather, make a concrete analysis of the different forms of the shareholding system and adopt different policies in dealing with them.

Let us first examine the added-asset shareholding system. There are two circumstances in which this form of shareholding is adopted: The establishment of a new enterprise and the expansion of the current scale of operation by means of share issue.¹² However, we have not made any analysis of or passed judgment on the effect of the current-asset shareholding system on inflation. They both conflict with efforts to check inflation. First, whether the share issue is intended for establishment of a new enterprise or for expanding the scale of operation, it will not effectively reduce total demand as some people imagine it would. It is true that share issue by enterprises may provide a long-term program for the use of short-term funds, turn consumption funds into production funds, and lessen the pressure on the consumer goods market, thereby becoming an offsetting factor for price hikes. However, since the purpose of share issue is to expand production, actual investment will necessarily come into the picture (shares is but a kind of "fictitious capital"). This will no doubt bring added pressure to bear on the investment goods market and encourage price hikes in the means of production. Thus, in overall terms, the added-asset shareholding system will not actually reduce the total pressure borne by the market. At most it will readjust the structure of total demand, that is, turn potential demand for consumer goods into real demand by shareholding enterprises for investment goods and subsequently shift the pressure of purchasing power from the consumer goods market onto the investment goods market, and change the attribute of the shareholding system from an offsetting factor for price hikes on the consumer goods market into a stimulating factor for price hikes on the investment goods market. It will not reduce the general level of inflation. Second, the added-asset shareholding system may also realistically increase total demand, which goes against the need to reduce demand and check inflation. "Because shares are characterized by their flexibility and profitability and share dividends are generally higher than interest rates on bank deposits, the issuing of shares has great attraction... and may succeed in tapping some of the sunk funds which are absorbed into bank deposits."¹³ Materials cited in *On the Question of the Shareholding System* by Wang Mengkui, et al., also indicated that 80 percent of funds expended on the purchase of shares were sunk household deposits. However, both authors discussed the shareholding system as a "strong point," a view not readily shared by this writer.) The tapping of these "sunk funds" may be seen as the acceleration of the average flow of total funds on the one hand, and as a direct "growth" of residents' purchasing power on the other, and both of these two aspects are definitely stimulating factors for inflation.

Let us now examine the current-asset shareholding system, that is, the switch of state-owned enterprises to shareholding on the basis of their current assets. This form of shareholding also conflicts with the need to check inflation. In this connection, the crux of the problem lies in how proceeds from the sale of current assets are to be disposed of. Reinvestment will produce

the same results as those produced by the added-asset shareholding system discussed above. If the money recovered is spent on increasing the income of staff and workers, the results will be even more dreadful to contemplate, because while investment may increase future supply, spending the money on consumption will only increase "net demand." It has been suggested that this portion of income be handed over to the state treasury and frozen.¹⁴ This suggestion is probably more beneficial than the two methods of disposal discussed above, but then again it may appear to be too passive and is not all that easy to implement. At a time when the state is hard pressed for funds, and when money spent early this year has already exceeded more than half of the current year's budgeted expenditure,¹⁵ the likelihood of this suggestion ever being adopted is quite remote indeed.

However, I think that, provided that policies are reasonable and guidance is proper, it is entirely possible to turn the shareholding system into a positive factor for checking inflation. With this in mind, I recommend a "promotion strategy by industry" for added-asset shareholding and a "capital replacement strategy" for current-asset shareholding. These should help overcome the contradictions discussed above. The implementation of the "promotion strategy by industry" will help channel idle funds into the underdeveloped industries and reduce the burden of the consumer goods market. At the same time, it will not add to the pressure of the investment goods market, or lessen the extent of increased pressure, because investment goods needed for the development of underdeveloped industries are products of overdeveloped industries.¹⁶ For the same reason, it can also mitigate the contradiction between the tapping of sunk funds and the need to reduce total demand. The implementation of the "capital replacement strategy" with regard to the current-asset shareholding system means turning current assets, particularly the assets of processing industries and enterprises with large profit margins and great attraction, into shares. Rather than leaving them at the disposal of individual enterprises or handing them over to the state and being frozen, proceeds from share issues will be utilized in a unified way by relevant institutions of the state and invested in basic industries, new industries, and new enterprises under the guidance of a highly slanting industrial policy. When the new enterprises have entered the stage of normal operation, they may switch to the shareholding system, and the proceeds from the share issue will then be reinvested in new enterprises in bottleneck industries. As the publicly owned economy expands along this line, the industrial structure will also be gradually readjusted along the same line. When underdeveloped industries have developed and have promoted the development of other industries, the contradictions between total supply and total demand will be mitigated and inflation will gradually be checked.

Footnotes

1. Due to limited space, it is impossible to cite detailed figures here. For more information, please refer to JINGJI YANJIU No 12, 1988, pp 3-4.

2. See SHIJIE JINGJI DAOBAO, 23 Jan 89, p 14.

3. According to JINGJIXUE ZHOUBAO on 13 Nov 88, the cost of coal per ton is 34.5 yuan, while the state supply price is only 30 yuan. As disclosed in JINGJI YANJIU No 12, 1988, p 5, the profit rate on capital for China's coal mining and dressing industry is -0.28 percent.

4. According to JINGJI YANJIU No 12, 1988, p 5, the profit rate on capital for these industries is 17.09 percent, 14.11 percent, 23.14 percent, and 25.67 percent, respectively.

5. According to the State Statistical Bureau's *Statistical Bulletin on Economic and Social Development*, 1988, the growth rate of the six industries mentioned above was registered at 52.8 percent, 84.4 percent, 4.5 percent, 2.2 percent, 9.7 percent, and 7.0 percent, respectively.

6. See SHIJIE JINGJI DAOBAO, 6 Mar 89, p 1.

7. On 14 Oct last year, Wuhan City called on collective enterprises to take the lead in implementing the shareholding system in an all-round way. In Liaoning Province, only 37 of its existing 1,087 shareholding enterprises are under ownership by the whole people. See HEBEI JINGJI YANJIU, compiled by the Hebei Provincial Economic Research Center, 30 Dec 88, p 18.

8. See material on "the fund-raising storm" carried in JINGJI RIBAO on 30 Jan 89, p 3.

9. Xue Jingan [1776 2529 1344] said in *On the Question of the Shareholding System* edited by Wang Mengkui [3769 1125 1145], et al., and published by the China Economic Publishing House: "In 1984 and 1985 when enterprises were confronted with a shortage of funds and reduced bank credit, they began to turn to share issues as a means of raising funds from their staff and workers and from members of the public."

10. According to JINGJI RIBAO, 10 Jan 1989, p 3: "Many township and small town enterprises embarked on this road [that is, the fund-raising rush] only because they had no other alternative under the changed background of tightened money supply. As they had nowhere to turn to for loans or for the rescheduling of credit, they could only turn their eyes to their own staff and to lower levels and find a way out by tapping new resources and economizing on expenditure."

11. These two examples were announced in "News from Shijiazhuang" broadcast on Shijiazhuang TV on 7 Mar 89, and cited in an article entitled "The Shareholding System in Practice" carried in JINGJI RIBAO on 26 Feb 1989.

12. See *Thoughts on China's Economic Reform* by Li Yining [0632 0110 1337], published by the China Prospect Publishing House, 1989, second edition, p 67.

13. See Wang Wenyi [6769 2429 3015], et al., *The Socialist Shareholding Economy*, Northeastern University of Finance and Economics, 1988, 5th edition, pp 82-85.

14. See an article by Li Boxi [2621 0130 3305], et al., in JINGJI YANJIU No 12, 1988, p 9; as well as an article by Wu Jiaxiang [0702 4471 4382], et al., in SHIJIE JINGJI DAOBAO, 1 Aug 88, p 8.

15. See SHIJIE JINGJI DAOBAO, 6 Mar 89, p 1.

16. I have divided the demand for investment goods into two categories: the demand of underdeveloped industries on overdeveloped industries and the demand of overdeveloped industries on underdeveloped industries. It may not be a bad idea to increase demand in the first category, as it will absorb surplus goods and strike a balance between supply and demand. It is thus necessary to find a means of converting demand in the second category into demand in the first category.

Economists Discuss Macroeconomic Control During Reforms

HK1907132189 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 5, 20 May 89 pp 11-21

[Article by the Economic Research Center Study Group under the State Planning Commission, written in March 1989: "Macroeconomic Regulation and Control During the Period of System Changeover"]

[Text] Since our country implemented reform and opening up, we have all along faced the giant task of improving and developing the macroeconomic regulatory and control mechanism. The loss of control over supply and demand that occurred in 1984 was the first indication which acutely brought home to us that, in order to form a microeconomic mechanism rich in vigor and vitality, it is necessary to establish an effective macroeconomic regulatory and control system at the same time as handing down power and allowing retention of profits by enterprises. Otherwise, reform and opening up will not achieve the anticipated goals.

The practice of economic structural reform over the last few years has shown that the development and improvement of a macroeconomic regulatory and control mechanism is not an element external to the reform of enterprise mechanisms and the establishment of a market system, but rather an internal stipulation that directly determines and conditions the formation of enterprise operational mechanisms and the development and maturing of a market.

China's economic reforms, which have followed an arduous, twisting path during the last 10 years, have now entered the key changeover stage from the old to the new system. At the same time as the overall nature and systematic nature of the reforms become daily more prominent, the arduousness and complexity of these

reforms will become increasingly intense. The creation of systems and the perfection of policies on the macroeconomic level will meet greater difficulties and will have to pass more stringent tests. In order to ensure that the establishment and development of macroeconomic regulatory and control systems are in line with the real needs of the process of system changeover, overall research and planning are obviously absolutely indispensable.

The Goals, Tasks, Methods, and Measures of Macroeconomic Regulation and Control During the System Changeover

There are common aspects of macroeconomic regulatory and control under different types of economies and at different development stages. However, there are major differences between macroeconomic regulation and control during a period of system changeover and during normal times. During a period of system changeover, the overall economic structure, which includes macroeconomic regulatory systems, is in constant change. Thus, the regulatory and control measures, targets, and base are not unchanging and the regulatory and control goals and tasks also differ.

1. Macroeconomic Regulation and Control Goals

The primary goal of macroeconomic regulation and control during a period of changeover is to create an economic environment that allows smooth realization of the changeover from the old system to the new. Here, the reason we speak of "an economic environment" rather than "a macroeconomic environment" is that, before the new economic structure is established, the state economic management departments will inevitably have more power to intervene in the economy than they will in the future, and thus they will have greater economic coordination responsibilities. In such a situation, although the characteristic of direct unity between the macroeconomic and microeconomic mechanisms will be continually weakened, overall it will be retained. Thus the use of the term "create an economic environment" seems to be more precise.

Creating an economic environment conducive to the smooth realization of system changeover means that we must maintain normal operation of the national economy. Reforms that interrupt economic activity absolutely cannot be borne or accepted by society. During the period of system changeover, the creation of fine achievements in national economic growth is not only a requirement that future national economic growth places on the present, but also a practical demand of system changeover itself. If national economic development falls into a situation of stagnation, the reforms will meet unimaginable difficulties. In this sense, guaranteeing sustained, stable, and coordinated development of the economy is an important goal of macroeconomic regulation and control during the period of system changeover.

It should be recognized that a nonbasic short-term contradiction exists between reform and development. Any reform can bring change to the original structural form and thereby induce various indeterminate elements that are not part of the traditional conventions. However, if we worry that economic development will be affected, and thus defer or put off reform until conditions are ripe, reform will become impossible to achieve even in the long term. However, our reforms should be carried out only under the precondition that certain necessary conditions are generally in place. Thus, it should be a gradual and sequential process in accordance with our country's historical and current conditions. In general, reform must not harm, but should promote economic growth. This is particularly so when viewed in the long term. The experiences of the last few years have shown that the major difficulties and problems we have encountered are not inevitable results of the contradiction between development and reform. In fact, the occurrence of inflation, inequitable income, and structural dislocation are not beneficial to reform, nor to development. The cause of this is perhaps that excessively rapid economic growth has been sought. However, this is not the only reason. Other major factors include reforms not being completely rational in terms of time sequence, lack of coordination between different measures, lack of cooperation and unity between regions and departments, and relative weaknesses in coordinating economic policies. Of course, reform can produce shocks and can also result in losses, loopholes, and vacuums due to the rearrangement and linkage of relationships on various sides. All we can do is reduce these nonbeneficial factors to the smallest possible scale, but we cannot completely avoid or eliminate them. We must persist in looking at and dealing with the relationship between reform and development from the angle of long-term development and basic advantages and disadvantages. However, we should first strive in the near-term to guard against those trends that both obstruct reform and harm development. By this means alone we will be able to greatly reduce the difficulties and, in many respects, avoid falling into a passive situation.

In brief, we can sum up the overall goal of macroeconomic regulation and control during the period of system changeover as "guaranteeing a smooth changeover in the economic structure, while at the same time, realizing sustained, stable, and coordinated development of the national economy." This is both rational and realistic. This overall goal can be divided into several subgoals, which are intimately interrelated: 1) The increase in the level of prices should remain under control. 2) The growth rate of consumption should be lower than that of national income. 3) International income and expenditure should be balanced. 4) On the basis of continued readjustment of the economic structure, economic efficiency should be continually improved.¹

2. The Tasks of Macroeconomic Regulation and Control

The above-mentioned goals stipulate that the overall task of macroeconomic regulation and control in the

period of system changeover is regulation of total demand and supply, so that a normal basic balance and coordination is maintained between them. This includes: 1) Suppressing demand; and 2) Promoting supply.² The reason the basic demand-side principle is stipulated as "suppressing demand" and not as a general "management of demand" or "regulation of demand," is that during the period of changeover insufficient demand will only be an extremely accidental or limited phenomenon. The constant danger will be "demand inflation." Although the promotional effect of demand on supply will be continually strengthened following the deepening of reform, the likelihood of demand stimulating supply will be very limited before the new structure has been established and the resource restriction characteristics of the economy have been abolished. The main link in suppressing demand is control of the volume of money issued. In the process by which reform develops, the percentage of long-term and short-term lending by banks in overall raising of funds will become increasingly great, and this will have a direct influence and play a decisive role in total demand. It is true that the growth in money supply is not simply equivalent to the same growth in effective demand, because economic monetization factors and the speed of money circulation can both play a regulatory role. However, the rate of change of these two elements is, in the end, relatively stable. Experience has proved that the growth rate in money supply follows the growth in overall demand. The defined scope of money supply is cash and deposits. However, if the scale of cash and deposits is to be controlled, it is necessary to control the scale of credit and the scale of financial budgets. When there are financial deficits and the subsequent overdrawing on banks is converted to government debt, the target of control is unified as the scale of credit. Although, during the changeover period the role of monetary policies in controlling total demand will continually increase, the role of financial policies must not be underrated. The tasks that financial policies must take on in suppressing demand are: In the expenditure aspect, they must do as much as possible to cut back administrative expenses and provide guidance to and readjust the demand structure; in the revenue aspect, they must use taxes and other measures to limit excessively rapid growth in consumption and investment. Financial policies also are responsible for controlling and regulating internal and external debt.

During the period of track-changing, the control of demand must also involve concrete and deep-going measures to control the structure and scale of investment and consumption. As the degree to which the economy is subject to the market is still not such that it is possible to entirely use monetary policies and financial policies to regulate the degree of demand, the use of various direct controls over the scale of investment, the scale of consumption, and their growth rate is essential. In the overall period of changeover, although the scale and power of such direct controls will gradually be reduced, the speed of this reduction must be consistent with the changes in the overall economic structure. Control in the

area of foreign trade is determined by its nature and such controls may possibly have to be maintained for a longer period. In terms of exports, because of monopolies on domestic resources, barriers in external markets (such as quota restrictions in the export target countries), or because of great supply-demand disparities in foreign markets, there must be control of export volume. In terms of imports, in order to restrict excessive consumption, guard against duplicate imports, and protect fledgling domestic industries, it is also necessary to control import volume. Furthermore, it is necessary to maintain a high degree of centralized control in foreign exchange management and over the use of foreign credit.

Supply-side policies are mainly industrial policies. The core of industrial policies is promoting structural readjustment and continually improving efficiency. The specific tasks of supply policies are: 1) Coordination of investment reform and price reform, readjustment of the investment structure, speeding development of sectors producing goods or services that are in short supply, and improving the economic scale and technological level of investment projects. 2) Promoting formation of commodity markets and enterprise operational mechanisms, readjusting the production and capital stock structures, and improving the quality and quantity of supply. 3) Drawing more resources into production activities and maintaining and improving the savings orientation and the desire to invest. 4) Putting effort into protecting and developing a unified market and fair competition, getting rid of departmental and regional blockades, curbing monopolies, and supervising natural monopoly industries and enterprises.

Macroeconomic regulation and control during the system changeover period also shoulders another important task, that of maintaining and improving economic order. After the commodity economy system matures, the order of economic life will mainly be maintained and protected by various market rules manifested as conventions and morality as well as by contracts and laws. However, during the system changeover period, aspects ranging from product quality to trademarks, trading rules to tax payment, as well as enterprise production and sales activities, alliances and merger activities, and even forms of income distribution will all have to come within the supervisory scope of macroeconomic regulation and control. Otherwise, neither demand management policies nor supply management policies will have any real effect.

3. Methods of Macroeconomic Regulation and Control

The fixing of the basic methodology of macroeconomic regulation and control during the changeover period must proceed from the reality of the situation where the old system and the new system coexist. As the two systems play roles concurrently, a situation whereby the specific macroeconomic regulatory and control methods of the two system are combined cannot be avoided.³ Only with this combination will it be possible to form

mutual effectiveness and only thus will it be possible to carry out the tasks of regulation and control during the changeover period. The mode of combination of the two types of regulatory and control systems should have the nature of the specific regulatory and control targets as its determinant. In one situation, it may be that the two types of regulatory and control measures will be applied to different areas, while in other situations, it might be necessary to have the two types of regulatory and control measures directed at one area. The most typical of the traditional macroeconomic regulatory and control measures is direct administrative orders and, thus, its nature is that of achieving the goal of macroeconomic control through intervention in the microeconomy. However, microeconomic activities are divided into production, investment, commercial, foreign trade, and financial activities. The weakening and abolition of direct control in these various areas should not and cannot be carried out at the same pace. No matter how the form of the traditional regulatory and control method is changed, its nature of achieving macroeconomic intervention through microeconomic intervention cannot be changed. In the process of system changeover, the traditional macroeconomic regulatory and control methods will, through avenues such as reduction in scope, reduction of coercive measures, and raising the level at which controls are applied, gradually give way to new macroeconomic regulatory and control methods.

Unlike traditional methods, the regulatory and control methods of the new economic structure will be characterized by a relative independence from the microeconomic process. The precondition for implementation of such methods is that enterprises are able, through the market, to make their own decisions and regulate their own activities. The realization of this precondition requires many other conditions. Removal of traditional controls is a necessary condition, but not the entirety of the conditions. Thus, merely removing direct controls will not produce a real market. The major principle is that before breaking down traditional controls other conditions must be created. As long as these conditions do not exist, we cannot do away with traditional controls. The experiences of Eastern Europe and our country in the past acutely warn us that it is absolutely essential to uphold this principle.

Because of the different natures of these two macroeconomic regulatory and control methods, their coexistence will naturally produce some contradictions and even clashes. The focal point will be in microeconomic activities. While the traditional methods are being retained within a certain scope, microeconomic activities within this scope cannot be completely freely decided, independent economic activities. However, the reason for retaining traditional methods is that if management within this scope were suddenly abolished, it would result in great confusion, and there would be no way to even talk about effective control by the new macroeconomic methods. It is very clear that the mode of combining these two regulatory and control methods is

extremely important to the resolution of contradictions and the reduction of clashes. It needs to be pointed out that although the two methods stand in opposition to each other in one respect, they also have a unified aspect, and it is entirely possible for the two to be appropriately coordinated. Although the nature of the traditional methods cannot be changed, it is possible to select and readjust their forms of use, their functional orientation, and their focal points. Within this room for maneuver we can, to the greatest possible degree, bring into play the positive role of traditional methods in realizing the macroeconomic regulatory and control goals during the changeover period. First, in a situation where the traditional methods are being reduced in the sphere of distribution, we should, as far as possible, ensure that the areas which have retained traditional methods accord with the demands of other areas. For example, during the period when management of capital growth is relaxed and capital stocks cannot enter the market mechanism, we should use traditional methods to positively and safely improve the reserves structure, so that it is in accord with the rational use of increments. Second, when one sphere is concurrently subject to the two methods of regulation and control, we should ensure that the traditional method is restricted to aspects that the new method is unable to regulate and control, so that the traditional method does not obstruct the operation of the new method of regulation and control.

4. Measures for Macroeconomic Regulation and Control

People are used to seeing administrative measures as standing in opposition to and completely separate from economic and legal measures. Actually, as means by which the government manages the economy, economic and legal measures are inseparable from administrative strengths. This is because it is administrative and management organs which use the economic measures and various administrative organs which supervise the implementation of relevant legal stipulations. Even states with complete market economies are no exception to this. Those measures suited for use together with economic and legal measures are administrative orders, administrative persuasion, social education, and social consultation measures. The important thing is that the use of the various measures must be appropriate and the measures must be coordinated.

Economic measures will, during the changeover period, have an increasingly wide field of application. Financial administration has a role to play in the distribution and redistribution of national income, in the economic structure, and in the balancing of overall volume. Through taxation it will be possible to regulate the industrial and income structures. The Central Bank, through improving the reserve fund and the recredit system, developing rediscounting business, and opening up market business, can regulate the funds market in an overall way, while basic interest rates and credit policies can both control total volume and influence the structure. Tariffs and exchange rates can regulate import and export trade and

international balance of payments. Wage and income distribution policies can readjust the income structure and hold down consumer demand. Pricing and subsidy policies will also be important and indispensable economic measures.

The role of legal measures will be increasingly strengthened. The difficulty that the use of legal measures will meet during the changeover period is that the economic structure will have a dual nature. It will not be unified and there will be no single standard. The basic principle should be that, on the one hand, we should not seek nominal results, but should stress real results. We must not carelessly promulgate laws and regulations that are full of contradictions, but instead should maintain the sanctity and precision of the law. On the other hand, we must not seek ultimate perfection. Rather, we should set down basic laws that should be properly formulated and strictly enforced. These can then be gradually improved through practice. In general, in spheres in which traditional controls have been abolished, there should be appropriate laws and regulations to replace them. The effectiveness and necessity of administrative orders will thus be gradually reduced. However, in areas where economic measures and legal measures have not begun to play a role, administrative orders will still have an irreplaceable function. Whenever the various levels of government intervene in economic activities, they can achieve certain goals through the use of administrative orders. During the unusual period of changeover, the central unity and strictness of administrative orders must be completely safeguarded. Administrative persuasion measures can, under certain conditions, replace administrative orders, and in the future will have an important place. It is very necessary for the central authorities to regularly pass on information, keep in contact with, and put forward suggestions to departments and localities.⁴

Social education measures also have their special function during the period of changeover. Their specific content includes propagation of information by the news media, ideological and political work within organizations, the model role of the party and party members, and so on. The positive use of social education measures not only is able to strengthen people's understanding of and support for the reforms, but also is of inestimable value in preventing consumption inflation, preventing excessive income growth, increasing savings, reducing excessively high inflation forecasts, and in forming a social atmosphere that opposes actions that harm social, national, or collective interests. Social consultation measures also have special value in macroeconomic regulation and control. The deepening of economic reform means that various interest relationships will be opened up and made clear, and means that the various interest groups will be diversified and become independent. The government will not be able to treat social interest groups the way it treats its subordinate organs, and thus it will have to resolve the contradictions between these

groups and society through the method of equal consultation. In the implementation of various reform measures and policy measures, as far as possible, opinions should be sought from the relevant social strata and social groups.

The Overall Concept of Macroeconomic Management During the Changeover Period

Our country's economic reform is aimed at establishing a planned commodity economy. Thus, the so-called changeover period involves a change from the traditional model, which has administrative coordination as its basic mechanism, to a model that has market coordination as its basic mechanism. The reason this definition stresses "basic mechanism" is that within every modern economic system there exist both market coordination and administrative coordination mechanisms. The systems differ only in the position and role of the two mechanisms.⁵

1. The Goal Model for the Reform of the Macroeconomic Management System

The economic structural changeover includes a change in the macroeconomic management system, and the macroeconomic system goal model is naturally consistent with the overall economic system goal model. As market coordination gradually replaces administrative coordination and becomes the basic mechanism model, it will be necessary for macroeconomic management to change from a form that uses mainly direct control to a form that uses mainly indirect control. Macroeconomic regulation and control will have the market mechanism as a base and will have the safeguarding of the rationality of the market and the overcoming of the defects and insufficiencies of the the market as its precondition. The short-term goal of macroeconomic regulation and control is the maintenance of overall balance. It is thus necessary to use short-term monetary policies, financial policies, and income policies to regulate overall demand and overall supply. The medium-term and long-term goal is to achieve optimal growth in the national economy. In this, its major measures are government-stipulated development strategies, industrial policies, and income distribution policies. The task of medium- and long-term regulation and control is increasing the pace at which the structure is raised, the improvement of quality of economic growth, the maintenance of an appropriate speed of development, and the maintenance of a rational distribution of national income. The short-, medium- and long-term goals and tasks of macroeconomic regulation and control will form a new-style planning system.

In macroeconomic regulation and control, direct control will be retained mainly in the following areas: 1) In safeguarding the effectiveness of the market exercising necessary intervention in and supervision of monopoly industries and natural monopoly industries. 2) Due to external factors, exercising necessary restriction and

compulsory management over foreign trade activities. 3) In accordance with certain special needs, exercising control over and intervention in the production of certain products. 4) When regulating the relationship between total demand and total supply, there will sometimes be a need to use some administrative orders and persuasion measures to coordinate economic measures and thereby achieve goals in a faster and more precise way. The organizational system of macroeconomic regulation and control will include the following parts: 1) An information and statistics system. 2) A comprehensive regulation and control system. 3) A general supervision and examination system. 4) A special industry supervisory and management system. 5) An income regulation and social welfare system. The above-mentioned systems are all indispensable apparatuses, but the actual organizational setup does not have to be strictly divided like this. Put another way, some organs can concurrently belong to two of the above-mentioned systems. The internal structure of the comprehensive regulation and control system is a question that requires special study. There are three forms to choose from: 1) The State Planning Commission could take unified responsibility for short-, medium- and long-term macroeconomic regulation and control. It could coordinate the Ministry of Finance, the Central Bank, and other departments in formulating and realizing short-term goals, and could lead and coordinate subordinate organs and other departments in formulating and realizing medium- and long-term goals. 2) Short-term regulation and control could be the responsibility of the Ministry of Finance and the Central Bank (one of which would take the leading role), while the State Planning Commission would take centralized responsibility for medium- and long-term regulation and control. 3) The Ministry of Finance or the Central Bank could take responsibility for short-term regulation and control, and a Ministry of Economic Development could be established to take responsibility for medium- and long-term industrial policies and structural readjustment. The State Planning Commission could take responsibility for research into development strategies and long-term planning and forecasting work.

The general supervision and examination system would include auditing, industrial and commercial administration, customs, commercial inspection, and supervision, as well as the various specialized enforcement organs. The income readjustment and social welfare systems would include employment, social insurance, public facilities management, and various related departments. The supervisory and management system for special industries will mainly be a separate supervisory and management organ for monopoly and natural monopoly industries. After the traditional specialized departments are abolished, all industries will implement enterprise operations, while monopoly and natural monopoly industries (such as the space industry, nuclear industry, railways, electric supply, communications, oil, coal, and so on) will all be reorganized into corporations that make their own operating decisions and will be responsible for

their own profits and losses. However, as these industries will have complete or partial monopolies and have major significance in the national economy, the government will have to implement specialized supervision over their operations. When necessary, pressure and influence will have to be applied so as to prevent them from using their monopoly positions to seek unfair, partial interests, which harm the national economy and the overall interests of society.

In order to implement positive development strategies and industrial policies, there must be clear organs and policy measures. First, there must be a comprehensive department (State Planning Commission or Ministry of Economic Development) to provide unified leadership and coordination. Second, the Ministry of Finance and the banking system must take on corresponding responsibilities. Further, more specialized organs need to be established. Of these, the most important will be establishment of a policy-nature investment and financing system, including a development bank, an import-export bank, and various specialized financing and investment corporations. Their funds sources will be: 1) State budget allocations; 2) Special savings deposits and social insurance funds; 3) Credit from foreign governments; 4) Income they earn themselves through their operations. Policy-nature investment and financing organs will operate as enterprises, but their goal will primarily be implementation of policies, and rational income will only be a secondary goal.⁶ The main function of policy-nature investment and financing organs is, in accordance with the policies stipulated by development strategies and structural policies, to guarantee that priority development industries and trades receive more capital (Because these industries and trades, for various reasons, have difficulty raising funds in the market through normal methods). The organs that manage state land will also have major responsibilities in the implementation of development strategies and industrial policies.

Macroeconomic regulation and control organs must maintain a high degree of centralized unity and the vast majority of organs should implement a nationwide vertical, independent organizational form.⁷ The local branches of organs will not be subordinate to the local governments, but will be considered agencies. The local agency divisions of the various departments will be decided in accordance with the departments' own needs and will not be restricted by administrative divisions. Financial departments have a special nature, because the financial administrations at the various levels are government organs, and they should not and cannot become agencies of the central financial administration. However, the scale and form of income and expenditure of local financial administrations must be determined by the central financial administration, and these local administrations must implement central financial policies. Under the conditions of a dispersed tax system, the levying of local taxes will be the responsibility of the local tax system. However, the fixing and changing of local tax types and tax rates will have to be approved by

the central financial administration. The central financial administration will operate in accord with fixed policy procedures in providing assistance to the local financial administrations, but local financial administrations must have their own self-restraining mechanisms.

2. The Selection of Policy Orientations for Macroeconomic Regulation and Control During the Period of System Changeover

The first policy orientation is combatting inflation. The policy of combatting inflation cannot result in insufficient overall demand. On the contrary, it can, because of the strengthening of competition and market pressure, improve product quality or increase the supply of other products in short supply, thereby increasing effective supply.

The second policy orientation is readjusting the industrial structure as far as possible. Readjustment of the industrial structure has two sides: The first is strengthening development of backward industries and bottleneck sectors. The second is, within every industry, improving the technological level and improving scale efficiencies and phasing out backward industries. While the market mechanism is still unable to carry out structural readjustment, it is necessary to adopt and use other measures (including traditional closing down, stopping production, merger, and transfer) to readjust the industrial structure. This is not only a demand of development, but also a precondition for bringing the market mechanism into the area of structural readjustment. In this sense, no matter what form is used to improve the industrial structure, they can all powerfully promote reform and development. Conversely, deferring structural readjustment will inevitably adversely affect development and reform.⁸

The third policy orientation is to lay down a base for the long-term development of the national economy and social modernization. The questions involved will affect development for the next tens or hundreds of years, but they cannot be decided by the economic structure itself. The first is the question of education. The history of the industrially and economically advanced countries show that the national economic sector with the greatest actual benefit is education. There is a need to implement, as quickly as possible, compulsory education for all. In accordance with the experiences of other countries, at our present level of economic development, it is completely within our economic capacity to implement a universal 9-year education system. The development and management of primary education has long remained in a situation where things were left to drift and too much was left to the people to work out. We need to swiftly strengthen direct government management. The second is the question of science and technology. Although scientific and technological development over the last 10 years has not been without achievement, like education, its progress has not been satisfactory. The

major problems with development of science and technology are that science and technology are quite deeply colored by the "official" hue, alliances with production are not good, they are not well combined with education in schools, and there are few connections with enterprises. In fact, the government should directly take on only the research that enterprises and universities are unable to undertake. The majority of scientific and technological development activities should be transferred to universities, enterprises, nongovernment research organs, and individuals. The government's role should be coordination, support, and service. The third is the question of population control. On the basis of the current rate of population increase, by the year 2000 the overall population will exceed the figure of 1 billion that has been forecast. If the situation of relaxation in family planning control is not turned around, the results will naturally be extremely serious. The fourth is the question of rational planning and development of land and other natural resources. This includes strictly limiting growth in nonagricultural land, prohibiting indiscriminate exploitation and use of mineral resources, forest resources, water resources, and animal resources, as well as guarding against and dealing with environmental pollution.

The fourth policy orientation is the promotion of a fine cycle in foreign economic relations. Under the precondition that it is beneficial to a real growth in domestic national income, the scale of foreign trade should be actively developed. Diverse encouragement measures should be adopted so that foreign exchange can be earned through exports, but increasing exports that will clearly not be beneficial to domestic economic stability should be restricted. In terms of imports, a firm structural control must be maintained. While there exists great potential for foreign trade development, as a large country, China's foreign trade as a percentage of GNP should not and must not be too high. Otherwise it might produce the negative effects of too much trade. On the strategic level, it is necessary to combine guidance of exports with import substitution. As labor resources and tourist resources are extremely rich, China has good conditions for developing nontrade avenues of earning foreign exchange.⁹ We should place more stress than we have in the past on the feasibility of earning foreign exchange through nontrade avenues, while at the same time strictly controlling nontrade use of foreign exchange. In accordance with the specific situation of China, we should allow and encourage foreign businesses to directly invest.¹⁰ But it is certainly not the case that the greater the direct investment, the better. Here, there is also the need to engage in cost-benefit analysis. There must be continued unified control of governments and enterprises using foreign funds through the form of credit. On the one hand, this must be coordinated with the increase in overall volume and the development of national production and foreign trade. On the other

hand, the structure must be beneficial to the development of production, the improvement of bottleneck industries, and the improvement of export competitiveness.

The fifth policy orientation is, at the same time as expanding rational individual labor differentials, to prevent the spread and development of unfair distribution. The aim of reforming the income distribution system is to break down the tradition of egalitarianism and, in accordance with commodity economy principles and the realities of the primary stage of socialism, to implement distribution according to labor and a certain degree of distribution according to funds. However, in the process of reform it is possible that a phenomenon may occur, because opportunities are not equal, whereby income distribution is not fair. Our past experiences tell us that situations of unfair income as a result of unequal opportunities are, to a greater or lesser degree, and directly or indirectly, the result of the indiscriminate use of the power of economic control. Thus, the bureaucracy and corruption of party and government organs need to be dealt with particularly seriously. At the same time, the planning and implementation of reform plans should eliminate loopholes as far as possible, so as to guard against leaving, on the structural level, opportunities which can be made use of. In addition, the establishment and improvement of a subsidy system for low-income families should be speeded up.

The sixth policy orientation is to remove the divisions, blockades, and monopoly trends in the market, so that when the market is established on the abolition of the management system, it will enter, as quickly as possible, a situation of unity, openness, and competition. Past experiences show that when economic structural reforms experience a lack of coordination or consensus between districts, departments, or enterprises, the competition and unity of the market may be threatened. Thus, the planning of reform programs is of utmost importance to resolving problems and to preventing the occurrence of problems.¹¹

3. The Evolutionary Process of Macroeconomic Management Forms

On the basis of the actual situation of economic reform and development and the long-term goals of reform, we have divided the period of system changeover into three stages—the stage of preparing the environment, the stage of basic track-changing, and the stage of complete track-changing.

A. The Stage of Preparing the Environment

The stage of preparing the environment is not one where reform is stagnant. Although in this stage a stable sequence of economic readjustment is the main focus, this is a preparatory condition for deepening reform in an overall way. Only by implementing a series of necessary reforms will it be possible to achieve the goal of

preparing the environment. The major reform measures will be: 1) Price readjustments and price management relaxation, which will be beneficial to the withdrawal of currency and which will not seriously affect the people's basic standard of living. 2) The selective auctioning and leasing out of small state enterprises, gradually implementing experiments in issuing shares in medium-size and large enterprises and promoting declarations of bankruptcy or mergers for enterprises with poor operations. 3) Separating the policy financing and commercial financing systems. 4) Deepening reform of the social insurance system and striving to achieve major progress in the areas of old-age and unemployment insurance. 5) On the basis of optimizing labor arrangement and establishing the awaiting of employment within enterprises, continuing to carry out reform of the employment system. 6) In order to firmly strengthen macroeconomic regulation and control capacity and the implementation of reform of the macroeconomic management and organization system, the key lies in gradually strengthening the establishment of vertical, independent systems. 7) Developing the reform of the housing system; and so on.

However, preparing the environment must, to a large degree, depend on policies. In the implementation of policies, all possible measures must be utilized. Although it will be necessary to place new measures in the position of priority consideration, in areas where traditional measures have not lost their rationality, we must not refuse to use the traditional measures. The major policies will be: 1) Suppressing excessive demand. 2) Sorting out circulation links and eliminating market barriers. 3) Readjusting the income structure. 4) Readjusting the industrial structure. 5) Strengthening long-term development capacity. 6) Rectifying party and government work styles and clearing out corrupt elements. 7) Cracking down on economic crimes; and so on.

B. The Stage of Basic Track-Changing

If the comprehensive goals in preparing the environment are realized, economic structural reform can enter the stage of basic track-changing. The main components of economic structural reform during the period of basic track-changing will be: 1) Generally doing away with price distortions and establishing a market price system that is supervised and controlled by the government. 2) Making the tax base standard, fair, and rational. 3) Putting in order the financial relationship between the central and local authorities. 4) Taking initial steps to turn specialized banks into enterprises and to develop a securities market of some scale. 5) Apart from some special monopoly industries, foreign trade could basically be turned into an enterprise-type activity where the enterprises make their own operational decisions, while exchange rates could be unified or nearly unified. 6) Reform of the labor and social insurance systems as well as the welfare system will be basically completed and there will be corresponding progress in wage reform. 7) Enterprise property rights will be made clear and, in

general, enterprises will be made responsible for their own profits or losses. 8) A new type of macroeconomic regulatory and control system will be basically formed.

The demand management policies of this stage will need to maintain the principle of tightness but, under this general precondition, there should be appropriate flexibility. In general, at about the time that price reform measures are centrally initiated, financial credit control must be a little tighter than at other times. As there will be major readjustments of interests in the areas of pricing, finances, taxation, interest rates, credit, foreign trade, and exchange rates, macroeconomic policies will have to involve powerful coordination. The general policy will be to ensure that between regions, between departments, between industries, and between enterprises there will be an equal environment and equal conditions. However, the transition will require sequential progress and some temporary and compromise measures will be necessary. For example, in the major pricing, taxation, and financial readjustments, the local financial administrations will suffer major pummeling. In order to reduce obstacles, we might consider guaranteeing the basic stability of the levels of the region's revenue and expenditure. In this way, pricing and taxation reforms will not be affected and the division of taxes between central and local authorities will also not be affected. It may even be the case that central financial support for the localities will see the emergence of nonuniformity. This will provide room for maneuver in future readjustment. Also, in relation to the pummeling of enterprises, in principle we should make the enterprises bear the burden. If they are unable to bear it, they should be subject to bankruptcy procedures. However, if the enterprises all have to close down at one time, the economy and society will not be able to bear this. The best method is to adopt policy measures (such as credit or subsidies) to appropriately spread the effects of enterprise bankruptcies and reduce the severity of the one-time shock. The third example is the readjustment of the influence on individuals. We should continue to improve the levying and management of individual income tax and income regulatory tax. At the same time, we should implement more regular subsidies for low-income families, and provide economic assistance to personnel who are unemployed to allow them to maintain their basic livelihood. We need to limit, to the smallest possible degree, the shock that reform measures will have on the interests of the various sides.

If the above-mentioned various reform measures are unable to basically readjust the existing industrial structure, the basic track-changing will not be successful. An obstacle that will be encountered is that the production factors market is not yet completely open. Thus, the capacity of prices, taxation, and other parameters to regulate resource deployment is very limited. However, this is also a beneficial condition. As the government exercises direct control over the production factors market, it is indeed possible, swiftly or even in advance, to push resources into industries that produce goods in

short supply. Thus, in the structural readjustment at this stage it will be necessary to firmly carry on the efforts at the stage of preparing the environment and firmly overcome all obstacles to the advance forward. As compared with the earlier stage, this stage will have more beneficial conditions. This is because a series of reforms will have achieved success, the possibility and scope of stock readjustment will have greatly improved and expanded, and enterprise motivation and desire to actively carry out readjustment will have been strengthened. Further, the role of laws (such as a law on the rationalization of the industrial structure in the various trades or an industrial promotion law) will assume a major role they have not had in the past.

Regardless of how undesirable this will be, the entry into the stage of basic track-changing will necessarily overlap with the peak period of debt repayment, and the financial burden will be made heavier. Thus, financial and tax policies must be readjusted at the earliest time, so as to accord with this situation. Potential should be tapped in terms of increasing revenue and reducing expenditure. However, it is inevitable that the scale of national debt will continue to expand and the proportion of funds raised by the government in the securities market will increase. This will be beneficial to improving the system and structure of social funds distribution. However, tightness must be maintained in terms of the scale of financial budgets. But a bigger problem is dealing with foreign debt. This will be directly determined by whether hard currency income can reach an appropriate level. Thus, maintaining relatively rapid growth in the foreign exchange earned through trade and particularly that earned through nontrade avenues is a basic measure. However, a contradiction can occur between exports and satisfying domestic demand, and, thus, during the period of basic track-changing there is a special need to reduce the gap between supply and demand in the domestic market. In another respect, generally speaking, it will be difficult to avoid a deficit in our foreign trade, because the realities of the modernization goals require that at this stage there be a larger scale of technological imports and international interflow. The use of foreign credit will remain an avenue, but is an avenue on which risks may be increased. The period of basic track-changing will also have some beneficial economic factors that will need to be safeguarded and developed through policies. First, township and small town industrial output value may reach or exceed half the total industrial output value. This will put real pressure on state enterprises (through competition and challenges). However, if the various longstanding problems of township and small town enterprises, such as uneconomic scale, backward technology, dispersed distribution, pollution, and waste, are not subject to great improvement, not only will this affect the growth of the national economy, such enterprises themselves may also wither. There must be an overall positive and feasible policy for township and small town enterprises. Second, the current situation of growth in direct foreign investment could be maintained. There must be powerful policy regulation of

direct investment by foreigners, so as to make the greatest use of its benefits and avoid its problems. Legal and economic measures should be used to promote the merging and interflow of foreign investment and the domestic economy and technology. At the same time as improving the investment environment, there should be a gradual reduction of the differences, in terms of prices and taxes, between them and domestic enterprises.¹² Third, any improvement in the situation of science and technology and education will provide a motive force for an improvement in economic development and thus an improvement in the reform environment. If the reform of the science and technology and education structures can, within several years, see results in the areas of development research in the utilization of technology and middle-level professional and vocational education, it will add completely new vigor to the economic results and the level of growth.

The track-changing stage will, under the precondition of maintaining the principle of tightness, require some changes in the methods of investment control. The control of the overall volume of investment will be mainly carried out through the control of credit and of the raising of funds through the issue of bonds and shares, as well as through the issuing of construction permits. Apart from investment in basic facilities, public facilities, and administrative and service facilities, all industrial investment will mainly be undertaken by enterprises. State planning will fix the amount of investment in major industries and, at the same time, the scale of major industrial projects and their levels of technology will be fixed in a legal form. Enterprises will put forward applications and those which accord with the stipulations will be issued construction permits. Government financial organs will give funds preferences and allow discounting by key industries, the development of which is being encouraged. For some of the newly emerging industries which requires support, the government, after setting the overall scale of investment, will be able to provide part or all of their funds through the form of credit. Tenders will be called from enterprises or from enterprise groups throughout the nation and those who are successful in the tender will have the right to organize investment. When the project is completed, the principal and interest will be repaid, but the new enterprise will be part of the old enterprise or enterprise group. This will basically get rid of the old problem whereby under traditional state investment, "during construction, funds are expended without limit, and after construction the enterprise makes losses and has to be subsidized."

The control of wages during the basic track-changing period will still require the banks and the finance and tax departments to supervise and control the overall amounts of wages. The reform of labor insurance and the welfare system will lay down a firm base for the rationalization of the wage system. However, it will still be necessary to set limits on the growth of wages. The banking, tax, audit, and inspection departments will all have to coordinate with labor departments to achieve

control goals. In another respect, the control of wages will even more require arduous and patient social propaganda and social consultation work. The overall macroeconomic regulation and control system must not treat these aspects lightly.

It can be predicted that during the stage of basic track-changing, the reforms will face a complex social environment. Thus, as far as the social conditions for reform are concerned, this may well be the most difficult stage. The major factors giving rise to this situation are that the reforms will not be like they were in the past, when the aim was to bring benefits at the same time to all levels and all social groups. The great readjustment of the interests relationships will mean that there will appear great imbalance in terms of who wins and who loses. Widely held high expectations will greatly decline, dissatisfaction with the reforms may be strengthened, and difficulties in the social and political spheres will greatly increase. Thus, macroeconomic regulation and control must pay great attention to the effects that social and economic reforms will have on the social environment. Possible measures for increasing social cohesiveness and improving the efficiency of macroeconomic regulation and control include: 1) Strengthening propaganda and education about the reform plans and macroeconomic policies. 2) Party and government organs and their personnel should be law-abiding and corrupt elements should be seriously punished. 3) We should mercilessly strike at economic criminal activities. 4) Economic regularization and economic supervisory systems should be further improved. 5) The reform of the political structure should be promoted and the key points should be the implementation of a civil servant system and a scientific democratic decisionmaking procedure.

C. The Stage of Complete Track-Changing

Complete track-changing means the final realization of the reform target model, and the establishment of a new economic structure in which government planning guidance and the market mechanism are combined. The main tasks in completing the track-changing stage reforms are, on the basis of that which was laid down in the previous stage, abolishing administrative management of the production elements market and completely freeing the production elements market. The tasks of reform at this stage will still be extremely onerous, and at times, may well be far more difficult than the tasks in the previous stages.

The stage of complete track-changing is still quite a long time in the future, so there is no need, indeed it is very difficult, to describe the stage in intimate detail. The above-mentioned division of stages is only a logical division, and is the result of theoretical analysis of the present reality and practical possibilities. The time divisions of the actual process are at present difficult to fix. If we cannot complete the tasks of the stage of preparing the environment within 2 to 3 years, major changes in

the situation may occur. If these changes reach a certain level, it might be necessary to restudy the division of stages in the structural track-changing and the tasks set down for each stage.

This is a research report. The original report had four parts: 1) The goals, tasks and methods of macroeconomic regulation and control during the period of changeover. 2) The history and current situation of our country's macroeconomic management. 3) The overall concept of macroeconomic management during the period of changeover. 4) The policy measures during the stage of preparing the environment. What are published here are parts one and three.

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Footnotes

1. This overall goal which has been selected is different from one which would be selected for a market economy country or any country with a traditional planned economy. It proceeds from the basic reality of system changeover. Further, this macroeconomic regulation and control goal is clearly not short term. This characteristic also differentiates it from those of Western market economy countries. In the subgoals, "raising the level of employment" is not included. The reason is that in our country the problem is overemployment, resulting in unemployment being hidden.

2. The vast majority of Western countries, for quite a long period, restricted macroeconomic control to "management of demand" and only in recent times have gradually come to stress the importance of "supply policies". Here, the reason we stress supply-side macroeconomic regulation and control, is not only because of this general requirement, but also because of the characteristics of the traditional structure and the characteristics of the period of changeover.

3. Although there are many factors which cannot be compared between this situation and that of the Western countries in changing from a wartime unified-control economy to a free economy, the methods of macroeconomic regulation and control during the period of system changeover show some of the same "combined" and "mixed" characteristics.

4. The "moral persuasion" exercised by the Central Bank of England over the four major commercial banks has, from the end of the war until now, played a role no less than that of the deposit reserve fund in the control of the scale of credit.

5. There are actually many forms by which the two mechanisms are combined. Between the obviously different, there exist a series of transitional forms.

6. Such financial organs will clearly be very unusual, but certainly feasible. For example, the government financial organs of some countries provide successful experiences. Also, the World Bank is very good example.

7. Under ordinary conditions, macroeconomic regulation and control cannot be exercised by local governments, because macroeconomic problems are problems which involve the whole national economy. If local governments, as representatives of partial interests, intervene in this process, it is the same as abolishing macroeconomic regulation and control. The full experiences and lessons provided by the history of the development of the commodity economy in international society fully prove this point. The economic functions of local government should be restricted to building local basic infrastructure and public facilities and creating a fine investment environment.

8. Recently the government officials and economists in Yugoslavia and Hungary have summed up experiences and lessons and come to the conclusion that a major reason for the lack of success in reform is that it has not been possible to appropriately readjust the economic structure. What needs to be pointed out is that economists in our country had several years ago already put forward the idea that structural readjustment had major significance for reform.

9. Dr Wu Qing-rui [0702 1987 3843] of Singapore feels that it is fully possible for China's foreign exchange earnings from tourism to reach \$10 billion within 10 years, but that at present there is a lack of clear strategic and implementation measures.

10. Prior to 1984, South Korea had all along prohibited direct investment by foreigners and, in drawing in foreign funds, it adopted entirely indirect investment forms. The government felt that it had the capacity and there was a necessity to arrange and plan the use of foreign funds in a unified way.

11. If similar controls are not relaxed or abolished in different regions or departments at the same time, it will inevitably produce the problems of blockades, divisions and unfair competition. On the other hand, if policy preferences will affect the unified market, but are not directed at an industry, and instead are directed at a region or an enterprise, the same result can occur.

12. In the report issued by the World Bank investigative group in 1985, it was especially noted that China should pay attention to possible problems of direct foreign investment. See *China: The Problems of and Program for Long-Term Development*, China Financial and Economic Publishing House, 1985, p 141.

Government Reports on Performance of State Enterprises

OW2407034389 Beijing XINHUA Domestic Service
in Chinese 1226 GMT 15 Jul 89

[Local broadcast news service]

[Text] Beijing, 15 Jul (XINHUA)—According to information provided by the Ministry of Finance, the economic returns of the nation's state-owned industrial enterprises covered by the budget have not been too good in the first half of the year.

The statistics provided in the ministry's financial bulletin showed that, in the first half of the year, the budgeted state-owned industrial enterprises' total output was valued 321 billion and 935 million yuan, up 5.2 percent from the same period last year, and that the enterprises' proceeds of sales amounted to 438 billion and 504 million yuan, up 19.2 percent from the same 1988 period. The fact that the increase in sales was 14 percentage points greater than that in the output value was attributed primarily to the readjustment of prices in the second half of last year. In the first half of the year, the industrial enterprises covered by the budget realized 29,619 million yuan in profits, down 12.1 percent from the same period of last year. The areas reporting a drop in profits included 8 provinces and cities, Tianjin, Liaoning, Jiangsu, Shanghai, Hubei, Zhejiang, and Jiangxi. Of the 24 central industrial production departments, 11 reported a decrease in profits. The budgeted industrial enterprises' profits for every 100 yuan of sale proceeds came to only 6.75 yuan in the first half of the year, down 26.7 percent from the same period of last year.

Economy Performing 'Better Than Expected'

HK2207051489 Beijing CHINA DAILY in English
22 Jul 89 p 1

[By staff reporter Zhang Yu'an]

[Text] The national economy development in the first half of this year was better than expected, a leading Chinese official announced at a press conference yesterday.

The official said that some people had been worried that the country's austerity programme would cause economic stagnation, panic buying and an out-of-control money supply.

But none of this had happened. Instead, the national economy was operating stably in the first half of this year, said Zhang Zhongji, spokesman of the State Statistics Bureau.

"This is due to the joint efforts by the Chinese people and the correct leadership of the State Council," Zhang noted.

Preliminary statistics show that the country's gross national product (GNP) in the first half of this year was over 700 billion yuan, an increase of 5.7 per cent (at comparable prices) over the same period last year.

During the period, national income reached over 580 billion yuan, up 6 per cent, he said.

This summer, the country experienced a big grain and oil-bearing crops harvest, due to more money being invested in agriculture since last winter and also to favourable weather.

The summer grain yield is 93.55 million tons, an increase of 2.57 million tons over last year. This is also 260,000 tons higher than that in 1986, the country's then record high summer grain harvest.

The output of oil-bearing crops is more than 5.5 million tons, an increase of 500,000 tons over last year, Zhang said.

Pigs slaughtered in the first half of this year reached 133 million head, up 2.9 per cent. And the production of vegetables and fruits has increased, which will help to stabilize the domestic market.

Zhang said that the country's once over-headed industrial development had begun to drop at a stable rate.

Industrial output value in the first half of this year was increased by 10.8 per cent over last year to 639.62 billion yuan. But the growth was 6.4 per cent lower than the same period last year.

Thus, the ratio between the growth of the energy industry and that of other industries is up to 0.55:1 from last year's 0.27:1.

Sales of retail goods were stable. In the first half of this year, total sales of consumer goods reached 416 billion yuan, up 18.3 per cent compared with the same period last year, but 6.3 per cent lower than last year's growth rate.

Zhang attributed this to a better market order, an improved confidence of the people and the increased interest rate of bank savings.

Consequently, price rises are tending to stabilize, he said.

Generally, the price increases in the first half of this year were 25.5 per cent higher than that of last year. And the urban cost of living in 35 large and medium cities is up 27.3 per cent.

But if analysed, the figures show that price rises are becoming lower and lower, Zhang said.

PROVINCIAL

Economic Statistics for Anhui Released
OW0208033989 Hefei Anhui Provincial Service
in Mandarin 1100 GMT 23 Jul 89

[By station reporter Wang Yiqiang]

[Text] The provincial government called a news conference yesterday morning. Li Shiyu, head of the provincial statistics department, on behalf of the provincial government, released figures to the media on the province's economic development during the first half of this year.

Since the beginning of the year, leaders at all levels in the province have paid special attention to agricultural production and have done a lot of work in supplying funds, chemical fertilizer, and farm chemicals. The summer harvested crops have been growing very well until the latter part of the period, when prolonged rain caused wheat to germinate and mildew. The province reaped 6.285 million metric tons of summer harvested crops, down 5.2 percent as compared to the same period of last year.

As for industrial production, in the first half of this year the province registered 17,062 million yuan of total output value from industries at and above township level, up 9.6 percent from the corresponding period of last year. The readjustment of the product structure has begun to see results. The high production growth rates for most durable consumer goods, such as television sets and refrigerators, as well as some large processed products, decreased slightly.

The production of raw coal continues its upward climb. Output of major raw materials increased, reversing the downward trend seen in the beginning of the year. The province's energy-saving efforts achieved new progress during the period. Energy consumption per 10,000 yuan of output value for industrial enterprises at and above county level dropped 6 percent from the same period last year.

Investment in fixed assets has been brought under control. [Words indistinct] Savings deposits of urban residents have greatly increased and totaled 7,119 million yuan as of the end of June.

Major problems currently confronting the province's economy are the "three ups" and "three downs," that is, the increases in the commodity price index, comparable product costs, and financial expenditures, and the decreases in energy and raw materials production, some commodity stocks, and foreign trade exports.

Jiang Derong, deputy secretary general of the provincial government, outlined at the news conference the province's work plan for the second half of the year: 1) To give top priority to agriculture and, in order to achieve a good harvest for the entire year, to try to make up for the

loss in summer crops with the autumn crop harvest. 2) To firmly stick to the special industrial policies and strengthen the basic industries of energy and raw materials. 3) To continue to sort out projects under construction and scale down investment in fixed assets. 4) To relentlessly carry out the responsibility system to control commodity prices and further step up the management and control of commodity prices in the market. 5) To persist in opening to the outside world and strengthen foreign trade to quickly put a stop to the decline of foreign trade exports.

Chen Jiyu, secretary general of the provincial government, hosted the news conference.

Anhui To Build Industrial, Agricultural Bases
OW3007110289 Beijing XINHUA in English
0134 GMT 30 Jul 89

[Text] Beijing, July 30 (XINHUA)—East China's Anhui Province should promote its economy in accordance with its local conditions instead of copying the practices of coastal areas, today's CHINA DAILY quoted a provincial official as saying.

Vice-Governor Yang Jike said that an industrial center and an agricultural base should be set up respectively in the Huainan and Huaibei areas in Anhui Province.

Yang said that the rich deposits of coal, oil, natural gas and various kinds of metals and non-metallic substance reserves, including ferrous and nonferrous metal in Huainan, enable the area to be built into a heavy industrial center.

The approximately 500 rivers, big and small, which belong to the three river systems—the Yangtze, the Huaihe and Xinanjiang—could be well developed into a waterway network.

When completed the waterway network would facilitate the transport of coal, agricultural products and other goods needed for the development of the zone, Yang said.

Covering a flatland of 80,000 square kilometers, Huaibei area could be built into a base of agriculture, forestry, animal husbandry and fisheries.

And the province has a powerful labor force among 10 million people, said the vice-governor.

Yang also said, located in the country's best-developed region the province would have more opportunities to learn advanced science and technology.

Speaking about the large number of specialized personnel needed by the projects, Yang said that the three nationally renowned universities in the province could help a lot.

Guangdong Province Installs More Telephones
OW2707023389 Beijing XINHUA in English
1357 GMT 25 Jul 89

[Text] Guangzhou, July 25 (XINHUA)—Guangdong Province in South China has now 1.17 million telephones in its cities and rural areas, an official at the provincial telecommunications department said today.

By the end of June this year, there had been one telephone for every 50 persons in the province, which was the only province in China that had had more than one million telephones.

In the first half of this year alone, 180,000 new telephone sets were installed in the province. During the 31 years between the founding of the New China in 1949 and 1980, however, the province had only a total of 13.73 telephone sets installed. By 1980, every 400 persons in the province could only have one telephone on the average.

The official attributed the rapid popularization of telephone communication in Guangdong to the reform of the telecommunication system in the province, which has helped bring the enthusiasm of all circles into full play.

Hunan Province Increases Light Industrial Exports
OW2607070389 Beijing XINHUA in English
0550 GMT 26 Jul 89

[Text] Changsha, July 26 (XINHUA)—Hunan Province in Central China earned 184.49 million yuan from exporting light industrial goods in the first half of this year, 13.6 percent more than in the same period last year.

The rapid increase was attributed to the fact that the province had made efforts to develop the production of "sandwiched commodities", which both developed and undeveloped countries do not produce because they require a large amount of labor and relatively high technology.

Since 1985, more than 400 varieties of new products for export have been developed. The output value of new products and the volume of exports have increased at an average rate of 58.32 percent and 31 percent a year respectively.

The number of export manufacturers has grown to 300 from 150 in 1985 while the variety of exports whose annual export volume surpasses 10 million yuan has increased from two to nine.

The province's main exports included shoes, metal fittings, drawnwork and embroidered pieces, leather goods, electric appliances, fireworks and firecrackers, straw mats, mosquito-repellent coils, bristles, carvings, articles of bamboo and toys.

Sichuan, Hunan Issue Income Guidelines
OW2607014789 Beijing XINHUA in English
0100 GMT 26 Jul 89

[Text] Beijing, July 26 (XINHUA)—Sichuan and Hunan Provincial Governments have issued regulations to check any further widening of the income gap between the workers and their bosses, the WORKERS' DAILY reported.

Unfair income distribution among workers and their managers in some enterprises has harmed workers' initiative and led to a series of conflicts between the two sides, the paper said.

Sichuan's regulations stress that income distribution within enterprises should be democratic and made known to the public.

The regulations, jointly issued by the provincial federation of trade unions, the labor administration and other departments, also say enterprises should avoid equalitarianism and wide gaps in income distribution between workers and managers.

The vitality of Sichuan's state-run enterprises, especially the small ones, has improved since responsibility systems were introduced several years ago, the paper said.

But the income gap has also widened since then.

Managers have failed to ask for the trade union's opinions about their income distribution plans and have also neglected requests that the pay scale be examined and discussed by the Congress of the Workers' Representatives, the paper said.

An investigation of some 20 enterprises in Sichuan's Fuling region last year found that the average annual income of the managers was more than 11,000 yuan while the average income of the workers was only 1,500 yuan.

This greatly surpassed the limits of one to three times set by the state.

Investigations made in other places also found that factory managers earned three times and in some cases up to 10 times more than their workers, the paper reported.

To limit such practices, the Sichuan Provincial Government will require enterprises to submit their income distribution plans to the Congress of Workers' Representatives for scrutiny and approval.

The proposals on maintaining workers' democratic rights and protecting their legal interests prohibit enterprise managers from changing the distribution plans themselves. Neither may they arbitrarily raise or lower pay scales of workers apart from practising their right to reward or punish workers as provided by the enterprise law.

The proposal also asked managers to control the wage gap with the workers and abide strictly by state contract and rental regulations.

The Hunan Provincial Government has taken similar steps.

Under its regulations managers who fulfill their contract tasks well may earn one or two times more than their workers.

INDUSTRY

June Industrial Production Statistics
HK1807101589 Beijing CEI Database in English
18 Jul 89

[Text] Beijing (CEI)—Main industrial products in June, 1989, released by the China State Statistical Bureau.

Item	Unit	1-6/89	6/89	Percentage Over 1-6/89
Bicycle	10,000	1972.18	317.28	-0.6
Sewing machine	10,000 sets	488.48	88.89	2.2
Watch	10,000	3010.60	556.50	9.6
TV set	10,000 sets	1412.65	246.22	31.7
Color TV	10,000 sets	545.09	89.23	34.2
Radio	10,000 sets	627.62	117.18	-21.0
Tape recorder	10,000 sets	1188.48	173.94	17.0
Washing machine	10,000 sets	540.72	90.13	9.1
Camera	10,000 sets	125.06	23.16	-1.0
Fan	10,000 sets	2815.07	577.97	24.1
Refrigerator	10,000 sets	419.02	64.81	34.5

Item	Unit	1-6/89	6/89	Percentage Over 1-6/89
Chemical fibre	10,000 tons	74.78	11.77	16.1
Yarn	10,000 tons	221.21	40.12	-2.9
Yarn	10,000 pcs	1231	223	
Cloth	100 m.m	85.84	15.64	-1.3
Of: Pure cotton	100 m.m	53.80	9.78	-2.0
Chemical fibre	100 m.m	32.03	5.84	0
Silk	10,000 Tons	2.27	0.41	-1.3
Silk fabric	100 m.m	7.35	1.31	-2.5
Woolen fabric	10,000 m	12400	2294	-5.1
Knitting wool	10,000 tons	10.51	1.88	8.1
Gunnysack	10,000 pcs	35455	6195	-20.3
Garment	10,000 pcs	9.39	1.70	
Sugar	10,000 tons	346.73	0.71	10.3
Salt	10,000 tons	1461.10	516.20	24.8
Cigarette	10,000 cases	1474.40	248.50	-0.5
Beer	10,000 tons	346.32	81.36	9.7
Liquor	10,000 tons	202.81	32.04	-11.5
Machine-made paper and kraft	10,000 tons	561.48	106.22	4.7
Of: Newsprint 10,000 tons	13.45	2.37	4.1	
Anastatic printing paper	10,000 tons	37.25	6.25	3.2
Synthetic detergent	10,000 tons	73.22	14.11	15.5
Daily fine aluminium products	ton	44011	7329	-14.3
Plastic product	10,000 tons	169.11	27.86	3.3
Farming film	10,000 tons	24.24	1.87	1.9
Bulb	100 million	9.20	1.64	0.4
Iron ore	10,000 tons	7781.20	1399.50	1.5
Pig iron	10,000 tons	2753.10	471.90	-2.7
Steel	10,000 tons	2914.90	490.40	-2.8
Rolled steel	10,000 tons	2311.45	391.41	-2.6
Ferro-alloys	10,000 tons	97.78	19.81	11.6
Coke	10,000 tons	2243.11	386.52	-4.3
Ten non-ferrous metals	10,000 tons	98.23	17.04	4.0
Of: Copper	10,000 tons	23.47	3.42	-2.3
Aluminium	10,000 tons	35.64	6.18	6.3
Copper products	10,000 tons	19.06	3.48	
Aluminium products	10,000 tons	16.96	2.88	
Antimony aluminium	10,000 tons	59.64	9.84	-5.0
Troilite	10,000 tons	527.62	99.78	11.4
Phosphorus ore	10,000 tons	854.47	187.21	8.5
Sulphuric acid	10,000 tons	563.44	100.19	1.8
Dense nitric acid	10,000 tons	16.32	2.44	9.5
Sodium carbonate	10,000 tons	136.05	22.91	5.6
Caustic soda	10,000 tons	157.27	27.85	7.3
Ethylene	10,000 tons	71.97	10.23	15.0
Calcium chloride	10,000 tons	116.56	22.08	5.0
Pure benzene	10,000 tons	29.11	4.32	1.8
Synthetic ammonia	10,000 tons	971.68	170.79	-3.8
Fertilizer	10,000 tons	905.16	156.68	-1.3
Of: Nitrogen	10,000 tons	709.81	122.15	0.5
Phosphorous	10,000 tons	192.70	34.27	-7.2
Potash	10,000 tons	2.49	0.23	-8.1
Chemical pesticide	10,000 tons	12.07	2.51	12.8
Paint	10,000 tons	38.75	7.63	-10.8
Dyestuff	10,000 tons	6.50	1.16	3.0
Pharmaceuticals	10,000 tons	9.69	1.78	1.5
Chinese patent medicines	10,000 tons	12.11	2.03	-13.2

Item	Unit	1-6/89	6/89	Percentage Over 1-6/89
Tyre	10,000	1629.01	294.41	13.9
Synthetic rubber	10,000 tons	15.22	2.19	10.3
Film	10,000 meters	8116	1711	-19.2
Color film	10,000 meters	7562	1532	-18.9
Plastic	10,000 tons	102.81	14.95	31.1
Timber	10,000 c.m.	2517	288	-2.9
Artificial board	10,000 c.m.	133.35	24.24	2.3
Cement	10,000 tons	10010.6	1889.90	4.3
Plate glass	10,000 cases	3951.41	607.12	16.8
Power equipment	10,000 kw	510.35	157.97	12.4
Alternating-current motor	10,000 kw	2113.76	398.47	-6.6
Industrial boiler	ton	40663	9198	-1.2
Machine tool	10,000 sets	9.15	1.64	4.0
Numeric control tool	set	1104	245	-13.6
Precision machine tool	set	764	159	22.4
Large machine tool	set	2188	390	-10.7
Automobile	10,000	31.00	5.32	2.1
Truck	10,000	20.68	3.63	3.7
Tractor (over 20 h.p)	10,000	2.32	0.34	-20.3
Small tractor	10,000	62.67	9.91	-13.6
Locomotive	set	344	62	-18.7
Of: Diesel motor	set	223	36	8.3
Steam motor	set	31	5	-77.0
Electric motor	set	90	21	9.8
Passenger car	set	917	181	-8.5
Freight car	set	12348	2286	6.3
Internal combustion engine	10,000 kw	3255.50	607.80	19.3
Fishing ship		24	9	14.3
Civil steel ship	10,000 tons	27.93	8.79	-41.5
Computer	set	80	21	-29.8
Mini computer	set	8946	5658	20.3
Pocket calculator	10,000 sets	227.34	46.45	27.9
Film projector	10,000 sets	0.63	0.09	-27.6

Notes: m.m.—million meters; c.m.—cubic meters; pcs—pieces

CONSTRUCTION

Shanghai To Cut Capital Construction Investment OW2807065389 Beijing XINHUA in English 1218 GMT 27 Jul 89

[Text] Beijing, July 27 (XINHUA)—The Shanghai Municipal Government is determined to reduce investment in capital construction by laying off construction workers, the PEOPLE'S DAILY reported today.

According to the report, the city adopted some measures to rectify the construction industry and reduce construction teams at the beginning of the year, but got few results. In the first half of the year, the city's investment in fixed assets increased by 21.4 percent over the same period last year.

In order to change the situation, the city government announced two new measures on Wednesday. One was that no new projects could be built without permission of the city's newly-established Construction Examination Group and the other was that a total of 150,000 construction workers will be cut off by the end of the year, the report says.

The Government has also worked out a number of detailed measures to insure the implementation of the above two decisions, including the suspending of projects that are against relevant regulations and forbidding the employment of laborers from outside Shanghai.

The report also quotes the city government as requiring all the relevant departments to examine projects under construction starting from September 1 and report the results to higher authorities every month.

FOREIGN TRADE, INVESTMENT

CCIEC Reports Coal Exports Up

HK2107021689 Beijing CHINA DAILY in English
21 Jul 89 p 2

[By staff reporter Yuan Zhou]

[Text] The China Coal Import and Export Co Ltd [CCIEC], the exclusive Chinese foreign trader of coal, exported 6.56 million tons of coal worth \$228 million in the first half of this year.

According to officials with CCIEC, its export of coal was 0.76 percent more than the same period last year, and accounted for about 1.02 percent of the value of the total Chinese national foreign trade.

But there was a difference between the CCIEC and the customs figures.

According to the General Administration of Customs, China exported a total of 5.7 million tons of coal, 668,000 tons of coke and 10.8 million tons of crude oil in the first half of this year.

At the same time, 900,700 tons of coal and 811,000 tons of crude oil were imported.

While coal export dropped by 12.6 percent, import of coal and crude oil increased by 12.6 percent and 545.3 percent respectively, according to the customs report.

"We don't know why there is such a difference in figures about coal exports, but we believe our figures are correct," a CCIEC official said.

The CCIEC officials admitted that the export of coal had been affected by such difficulties as overall domestic coal shortages, cramped transport conditions and poor faith in honour contracts.

Not until June did an upturn occur for coal exports, compared with last year, CCIEC official say.

The customs figures show that in June alone, the nation exported 962,000 tons of coal.

The CCIEC used to handle the bulk of the Chinese coal export. Last year, it exported 14 million of the total 16.2 million tons of Chinese coal. But this year, it takes over all exporting and importing of coal.

The country has planned to earn \$528 million by exporting 16 million tons of coal, 260,000 less than last year.

Some Chinese officials predict that if the country maintains its present level of coal exports, the total coal exports may equal or even exceed that of last year.

Official Explains Increase in Import Volume

OW2107113989 Beijing XINHUA in English
1025 GMT 21 Jul 89

[Text] Beijing, July 21 (XINHUA)—The sharp increase in China's import volume in the first half of this year was mainly due to the rising prices of rolled steel, chemical fertilizers and some other goods on the world market, an official said here today.

Zhang Zhongji, spokesman for the State Statistical Bureau, said at a press conference that import of a large amount of grain and rolled steel was the second factor behind the rise.

Failure to completely control the import of consumer durables was the third reason, the spokesman said.

According to the statistics of the Chinese customs, import volume in the first six months of this year reached \$28 billion, up 26.7 percent from the same 1988 period.

Meanwhile, the export volume was \$22.3 billion, up only 6.5 percent, far less than the rise in the same 1988 period over the same 1987 period, which was 26.2 percent.

Zhang attributed this to the drop in the export of farm and sideline produce, cotton yarn and crude oil.

The cost of export purchase went up in this period, which affected the enthusiasm of export producers, he added.

Processing Industry Exports Rise

OW1307025189 Beijing XINHUA in English
0744 GMT 12 Jul 89

[Text] Beijing, July 12 (XINHUA)—China's processing industry registered a remarkable increase in exports in the first half of this year despite the huge deficit caused by the country's growing trade imbalance.

According to latest customs statistics, total imports and exports by inward processing grew 33.6 percent during the period. The growth rate of its exports was 45.5 percent, almost double that of imports at 23 percent.

From January to June this year, the industry imported goods for processing worth 7.5 billion U.S. dollars, while its exports were valued at 7.88 billion U.S. dollars, adding up to a total figure of 15.38 billion U.S. dollars.

Inward processing also achieved a favorable balance of 379 million U.S. dollars in the six months, marking the industry as a profitable business in China.

This industry takes three major forms, including processing imported materials, assembly and processing of supplied materials and contracted trade exchanges.

With the exception of contracted trade exchanges, business, including exports, increased by a big margin.

Local trade analysts attributed the export expansion to the fast growth of the processing industry in the past few years and successful implementation of the coastal development strategy since early last year.

Experts said that the processing industry in China has a great future as a foreign exchange earner since the cheap labor and technical resources in the coastal regions could help China compete on the world market.

Textile Export Volume on Target for Year
OW1307031789 Beijing XINHUA in English
0116 GMT 13 Jul 89

[Text] Beijing, July 13 (XINHUA)—Exports by the China National Textile Import and Export Corporation were valued at 2.4 billion U.S. Dollars in the first half of this year despite the recent turmoil which generally depressed China's foreign trade.

Today's CHINA DAILY quoted Wang Ruixiang, vice-president of the corporation, as saying this amounts to about half of the corporation's export target for this year.

He said the corporation's sales were proceeding steadily except for an unexpected 20 percent decline in the export of cotton yarn.

Sales of other products, such as polyester blends and synthetic yarn and fabric are stable. Cotton sales, however, fell substantially this year, he added.

In line with the government's call for more exports of higher-valued textiles instead of raw material, the corporation plans to cut its cotton exports by 200,000 tons this year.

As for the influence of the turmoil on the corporation's business, Wang said the markets of Japan, Western Europe and the United States have remained stable so far.

This is because their buyers are long-term customers, who have established confidence in the Chinese textile over decades of trade with China, he said.

He hoped that established clients would see that the problems are temporary and that they would be far-sighted in doing business with China.

Guangdong's Exports 'Will Not Decline'
HK2907024689 Beijing CHINA DAILY in English
29 Jul 89 p 2

[By staff reporter Xiao Zheng]

[Text] Guangzhou—Guangdong Province's exports will not decline this year, according to Vice-Governor Yu Fei, who spoke on Wednesday at a conference of the province's economy and trade.

Yu said that, in the first half of this year, Guangdong earned \$3.27 billion from exports, a 2.6 percent increase over the same period last year and 63.3 percent of the export target set for this year.

"We have achieved success in exports by overcoming many difficulties in the first half of this year," Yu said.

"But we must continue to take measures to make sure we do even better in foreign trade in the second half of this year," he added.

Guangdong should establish a global strategic plan for its foreign trade, he said. And the province should be more open to the outside world, expanding its foreign economic trade with more countries, both in the West and East.

"In the second half of this year, we must further improve the provincial investment climate," he said. "Some enterprises can be allowed to be partly or completely bought by foreign investors to attract more foreign funds."

"Meanwhile, exporting must strictly abide by the principle of unity toward the outside world," he said. "Illegally cutting prices and competition among corporations within the province are completely forbidden."

Henan Province Uncovers Substandard Imports
OW2907012489 Beijing XINHUA in English
0048 GMT 29 Jul 89

[Text] Beijing, July 29 (XINHUA)—The Commodity Inspection Bureau in central China's Henan Province has turned up substandard imports representing a loss of 40 million U.S. dollars in the last 10 years, the LEGALITY DAILY reported.

As the province's foreign trade has expanded, more and more foreign products have flooded the province's markets.

But some foreign exporters have apparently been dumping low-quality goods on their trading partners instead of the ones ordered.

To reduce further losses, the paper reported, the bureau has installed a computerized system to improve the inspection services.

The bureau has hired 160 inspectors from local units on a part-time basis and established 21 inspection laboratories. In addition, it has stepped up inspections at units where substandard imports have been found.

The paper said that the bureau is assisting units that have received substandard goods with certificates for inspection so they can file damage claims against the foreign sellers.

This February the Henan Provincial Tobacco Import and Export Corporation imported filter-tip cigarettes valued at 540,000 U.S. dollars from the United States. The bureau found that the weight was 17.06 percent below the amount contracted, and the Americans ended up paying 24,000 U.S. dollars in compensation.

4.5-Percent Increase Reported for Henan Export Goods

*OW3007110589 Beijing XINHUA in English
0543 GMT 30 Jul 89*

[Text] Beijing, July 30 (XINHUA)—Central China's Henan Province's supply of export goods increased by 4.5 percent in the first half of the year over the same period last year.

But the province's native produce import and export corporation reported an increase of 44.6 percent, a record high.

Today's CHINA DAILY quotes the corporation's general manager Li Qingshu as saying that in the first six months of this year, the corporation earned a total of 42.37 million U.S. dollars through its exports, surpassing its contractual target.

Even in June when disturbances occurred in many parts of the country, the corporation exported eight million U.S. dollars worth of goods, the highest ever, Li said.

He attributed this to reforms that pushed the corporation to adopt a series of new measures to guarantee its supply of goods for export.

One effective measure taken was to set up joint ventures with foreign companies.

For instance, honey is a major native product for export in Henan Province. In order to improve its processing ability and have a stable overseas market, the corporation last year set up a joint venture with a Japanese company.

Most of the honey products are sold to Japan, earning the corporation up to five million U.S. dollars per year.

Other measures include setting up ventures with its branch companies and local factories to form a complete system of manufacturing, processing and exporting native products and providing local supply firms with loans.

More than 30 local firms have been set up in the cities of Xuchang, Zhoukou, Shangqiu and Pingdingshan, which guarantee its products supply.

The corporation has established eight systematic production and export systems for timber, feed, tea, starch, linters, and bee honey.

Export of these products has reached 20 million U.S. dollars, 40 percent of the corporation's total annual export quota.

Liaoning Joint Ventures Earn Record Profits

*OW2007022689 Beijing XINHUA in English
0123 GMT 19 Jul 89*

[Text] Shenyang, July 19 (XINHUA)—Latest statistics show that the 276 foreign-funded enterprises in operation in Northeast China's Liaoning Province earned a profit of 55 million yuan and brought in 54.6 million U.S. Dollars in exports in the first half of the year.

According to Fang Jicang, a department head of the provincial foreign economic relations and trade committee, the above figures are both records.

Fang said that during the recent social unrest and rioting in Beijing, 50 foreign businessmen, about one third of the total, left the province. Of those 50, 46 have now returned and the rest are on vacation.

So far, the province has signed 597 contracts to establish foreign-funded enterprises, of which 120 were signed between January and June. This represents an increase of 51 percent over the same period last year.

New Shanghai Organizations Protect Trademarks

*OW0108175389 Beijing XINHUA in English
1055 GMT 31 Jul 89*

[Text] Beijing, July 31 (XINHUA)—Two organizations for protecting trademarks recently came into existence spontaneously in Shanghai, the biggest industrial city in China.

The Xuhui Association for Protecting Registered Trademarks, and the Trademark Protection Organization of Jingan District, both made up of the owners of dozens of well-known brands, are the first two groups of their kind in the country, according to an official from the Trademark Bureau under the State Administration of Industry and Commerce.

The purpose of these two groups is to use their own power to protect their registered trademarks and products from being faked.

Forged trademarks and fake products have become a serious headache for China's economy, and Shanghai is one of the areas that has suffered the most, the official said.

The Shanghai No. 2 Watch Factory has been tormented by this problem. Its product, the "Diamond Flower" watch is not seen as often as the fakes which amounted to over 30,000, and which are sold by more than 20 shops inside and outside of the city.

The Shanghai Cuizhong Towel Factory is suffering from the same trouble. Its annual output of the well-known "Bell" and "414" brand towels is only one-third the amount of the fakes which have appeared in nearby Jiangsu and Zhejiang Provinces.

A survey conducted in seven provinces and municipalities, including Beijing, Shanghai, and Liaoning, revealed that there were 2,642 trademark infringement cases in those places last year. Even some state-owned enterprises and corporations were involved.

Qingdao City of Shandong Province is going to take the same action. The two Shanghai trademark protection groups have set an example for the country, said the official.

Sichuan Attracts More Foreign Investors
OW3007120689 Beijing XINHUA in English
1421 GMT 29 Jul 89

[Text] Chengdu, July 29 (XINHUA)—More and more foreign investors are flocking to invest in northwest China's Sichuan Province.

According to an official from the provincial commission of foreign economic relations and trade, in the first half of this year, the province scored contracted foreign investment totalling 32.85 million U.S. dollars and approved 16 more new foreign-funded enterprises.

Over the past 10 years, the province has got contracted foreign investments totalling 1.18 billion U.S. dollars, and set up 131 foreign-funded enterprises, most of which are productive enterprises, the official said.

Last year, exports of products turned out by foreign-funded enterprises in the province reached 15 million U.S. dollars, the official added.

Tianjin Expands Foreign Economic Cooperation
OW0308070289 Beijing XINHUA in English
1414 GMT 2 Aug 89

[Text] Tianjin, August 2 (XINHUA)—Tianjin is adopting positive measures to continuously expand foreign economic and trade cooperation, Zhang Shiyong, director of the Tianjin Foreign Economic Relations and Trade Commission, said here today.

Speaking at a press conference, Zhang said the city will continue to improve investment conditions and foreign investment service and sort out regulations and rules concerning foreign nationals to enhance the confidence of foreign investors.

Zhang said Tianjin will conscientiously sum up the experience in running foreign-funded enterprises over the past ten years so as to better serve them.

It is learned that preparation is under way to set up a Tianjin investment enterprise society to bridge foreign-funded enterprises and the government.

Zhang said, from now on, Tianjin will use foreign investment mainly to upgrade enterprises and adjust its industrial product mix.

According to early report, the city approved 41 foreign-funded enterprises with a total investment of 82.42 million U.S. dollars and concluded 50 contracts on labor service in the first six months of this year.

Foreign business people, who have investment in Tianjin and left the city when a turmoil took place in Beijing recently, have returned to the city to continue their cooperation.

ECONOMIC ZONES

Foreign Businesses Attracted to Hainan
OW2907012589 Beijing XINHUA in English
0036 GMT 29 Jul 89

[Text] Haikou, July 29 (XINHUA)—To many overseas business people Hainan is backward in its economic development but still worth investing in because of its rich natural resources, preferential treatment and potential market.

Stephen L. Hartwell, president of Island World Corporation's Hainan company, U.S.A., said, "The reason I came to Hainan is because the island is China's largest special economic zone and has preferential policies on the import and export of cargo and investment."

The plump middle-aged man came to inspect Hainan last October and concluded a one million U.S. dollar contract to build a Western-style snack counter with the Hainan Development Construction Corporation.

Mr. Hartwell speculates on the future of his snack counter, scheduled to open for service next month, by saying, "Haikou, capital of Hainan Province, is crowded with business people from other parts of China and overseas and the business here is brisk."

In addition to the snack counter, the corporation president plans to invest 1.2 million U.S. dollars in a dairy farm on Hainan, China's second largest island after Taiwan, in five years.

According to a provincial official, Hainan has aroused great interest among business people from overseas since it was designated a province and China's largest special economic zone in 1988. So far the province has established about 700 enterprises with overseas investment and many business people are coming to inspect or make a feasibility study of the island in a bid to set up enterprises.

The official noted that some business people have settled on Hainan's tropical, marine, mineral and tourist resources.

One example is Thailand's Chiatai Group, the largest agricultural and animal husbandry company in South-east Asia, which concluded a 300 million U.S. dollar contract to jointly build prawn-raising farms with the Hainan Agriculture Development Company at the end of last year.

Brian Tsai, assistant to the general manager of the Chiatai Hainan Development Co., Ltd., said the company has spent 13 million yuan on building a prawn-raising farm in Qionghai County.

The stalwart 36-year-old man said the company's investment in Hainan is affected by the island's imperfect laws and regulations, low work efficiency and poor social order.

He said, "The Hainan provincial government has already noted these problems and is adopting measures to solve them. We won't withdraw our investment from the island so long as China sticks to its open policy."

Many business people from overseas share Brian Tsai's view, according to the official.

Ham Hui, a Hong Kong manager of a Sino-foreign joint venture enterprise, Tower Hotel, in Haikou, said Hainan's infrastructure work has greatly improved but not its soft environment.

According to the manager, the number of guests at his hotel dropped over the past two months, following the turmoil in Beijing, but is now rising again.

The first half of this year saw some overseas business people withdraw their investments and leave the island, while others came to hold talks on erecting larger projects.

According to a statistical report, Hainan Province concluded 234 projects, involving about 200 million U.S. dollars, in the first half of this year, exceeding the number of contracts signed in the same period last year.

TRANSPORTATION

Plans Laid for Future Highway Network

OW2707093589 Beijing XINHUA Domestic Service
in Chinese 1409 GMT 21 Jul 89

[By reporter Li Mei; Local Broadcast News Service]

[Text] Shenyang, 21 Jul (XINHUA)—China will build a highway network composed of 12 major state highways with a total length of 25,000 kilometers over several 5-year plans. This highway network construction plan was disclosed at a highway construction experience exchange meeting held here by the Ministry of Communications.

This major network of state highways will link all provinces and regions, provincial capitals, important cities, hubs of communications, major ports, and important inland cities that are open to foreign countries. It will mainly assume the short or middle distance transportation for passengers and cargo between large cities and provinces. It will also assume part of the long-distance transportation suited to highway traffic characteristics. After completion, it will assume 24 percent of the national transportation volume of vehicles and connect 85 percent of large cities having populations of more than half a million each.

The highways included in this system will be used by motor vehicles only. They will be safe, high speed, and highly efficient. They will include superhighways and special roads of grades one or two used only by motor vehicles. The technical standards for building these highways can be roughly divided into two categories. For those highways in the eastern region of the Beijing-Guangdong railway line, where the economy is developed and transportation volume is great, there will mainly be superhighways. For those highways in the western region of the Beijing-Guangdong railway line, where transportation volume is smaller, there will mainly be highways of grades one or two. Initial estimates show that, of the total length of 25,000 kilometers of major state highways, there will be 10,000 kilometers of superhighways and 15,000 kilometers of highways of grades one or two.

AGRICULTURE

Scientists Consider Ambitious River Diversion Project

OW0808123189 Beijing XINHUA in English
0952 GMT 8 Aug 89

[Text] Xining, August 8 (XINHUA)—To divert water from the Yangtze River to the Yellow River is considered a possibility in the next two centuries and Chinese scientists are eager to look into prospects for the project.

Recently, five teams composed of hydrologists and geologists have been sent to the Bayan Har Mountains and Yalong and Tongtian Rivers in northwest China to conduct feasibility studies for the water diversion project.

This was disclosed at a meeting recently held in Xining, the capital of Qinghai Province.

At the meeting, the State Planning Commission, the Ministry of Geology and Mineral Resources, the Ministry of Water Resources and the Yellow River Water Conservation Committee as well as Sichuan, Gansu and Qinghai Provinces decided to spend four years to complete the feasibility studies for the project.

The project is designed to divert water from the Yangtze River, China's longest, to the Yellow River, China's second longest, in a bid to alleviate the water shortage in northwest and north China and to build more hydroelectric power stations on the Yellow River.

As early as the 1950s, Chinese scientists made proposals for the ambitious water diversion project in an attempt to speed up economic development in northwest and north China.

According to a preliminary plan, the Yangtze River water will be diverted at three places—in east China by utilizing the grand canal, in Hubei and Henan Provinces and in Qinghai and Sichuan Provinces.

In Qinghai, scientists from the provincial bureau of geology and mineral resources think, a total of 20 billion cubic meters of water from the Yangtze's tributaries, the Tongtian, Yalong and Dadu Rivers can be diverted through the Bayan Har Mountains at 5,000 meters above sea level to the upper reaches of the Yellow River.

Scientists said they are going to face an arduous task in the water diversion project because the project areas cover deep frozen earth zones, the river bed of the Yangtze is lower than that of the Yellow and the crustal movement is unstable.

Moreover, if 20 billion cubic meters of water is diverted from the Yangtze to the Yellow, a 250 to 410 meter high dam must be built, much higher than the 178 meter Longyangxia Dam, the highest on the Yellow River.

To pump that amount of water from the Yangtze would require a total of 6.1 billion kwh of electricity, equal to the total generating capacity of the seven power stations on the upper reaches of the Yellow River.

Scientists have also focused their attention on the effects an increase of 20 billion cubic meters of water flowing into the Yellow River would have on the ecology of the Yellow River valleys and the upper reaches of the Yangtze.

Forests Threatened by Disease, Insects

OW0308134489 Beijing XINHUA in English
0559 GMT 3 Aug 89

[Text] Beijing, August 3 (XINHUA)—Forests in north, northeast and northwest China, known as the "Green Great Wall", are threatened by forest disease, insects and rats, the PEOPLE'S DAILY reported today.

The affected forest areas in the three regions cover 4.66 million hectares, 6.6 times the size of the areas destroyed by forest fires in the Dahingan Mountain Range in May of 1987.

According to statistics recently released by the headquarters of the "three-north shelterbelt" project, 10 million ha of trees in northwest China's Shaanxi and Gansu Provinces and Ningxia Hui Autonomous Region are affected by plant diseases. About 10 million trees have been killed, involving damage estimated at 150 million yuan.

Geometrid moths are running rampant on about 66,000 ha of forest in Inner Mongolia while rats are dashing about madly on the 333,000 ha of forest in north China's Shanxi Province.

In northeast China, rats and pine moths are eating their way through 133,000 ha of trees in Liaoning Province and 1.5 million ha of forest in Heilongjiang Province.

However, the paper notes, no effective measures have been taken to curb the spread of forest insects and diseases for lack of funds.

After a decade of effort, about 9.1 million ha of trees have been planted in the "three-north shelterbelt." Timber reserves in the region have increased by 200 million cubic meters, with an annual timber output of 5.6 million cubic meters.

To date, "the Green Great Wall", which was begun in 1978, is 7,000 kilometers long and 400 to 1,700 km wide and runs through 396 counties in 12 provinces.

Symposium Focuses on Optimum-Scale Farming
OW2807123189 Beijing XINHUA in English
1029 GMT 27 Jul 89

[Text] Beijing, July 27 (XINHUA)—Optimum-scale farming, which has been practiced in Beijing suburbs for the past few years, was discussed at a recent symposium in Beijing.

According to today's BEIJING DAILY, the symposium, cosponsored by the Beijing Social Science Academy and the Beijing Agricultural and Economic Research Association, attracted 110 agriculturists, scholars and officials from nine provinces and cities, including Beijing, Shanghai, Liaoning and Zhejiang.

The participants approved the positive role played by optimum-scale farming and held that it was a far-reaching event in the development of Chinese agriculture and economy.

Some experts at the symposium pointed out that the main obstacle to development of Chinese agriculture was small-scale farming.

Some experts attending the symposium also held that the optimum-scale farming practised in the Beijing suburbs should be called "Beijing model" in line with "Wenzhou model" and "south Jiangsu model" in agricultural development.

They said the so-called Beijing model had three characteristics: It protected collective equipment and property when applying the contract system based on households; it had not decreased grain production in developing township-and village-run enterprises; and it took note of cultural and moral development.

Some held that in eastern areas of China and in the suburbs of Beijing, Tianjin, Shanghai and other major cities, where the agricultural economy is highly developed, economic conditions were mature for the transfer and centralized utilization of farmland.

Some experts at the symposium held different opinions. One agriculturist said there would be various kinds of optimum-scale farming practised over a long period in China, adding that the land relationship would not always be the same. Otherwise it would hinder the development of production.

Ministry Reports on Agricultural Production
OW2607030289 Beijing XINHUA in English
0048 GMT 26 Jul 89

[Text] Beijing, July 26 (XINHUA)—Production of non-staple food in China has been going well in the first half this year and supplies were better than predicted, today's CHINA DAILY quoted an official from the Ministry of Agriculture as saying.

Lu Shaosheng, a division chief in the ministry's Planning Bureau said that animal husbandry, aquatic production and vegetable growing all developed well during the first half of the year.

According to statistics from 22 provinces, municipalities and autonomous regions, output of pork during the first six months was about 8.57 million tons, an increase of 4.4 percent over the same period last year.

The output of mutton was 220,000 tons, beef 302,000 tons, and milk 1.48 million tons, an increase of 11.4 percent, 10.2 percent and 6.9 percent respectively.

The climate during the first half of the year was favorable for vegetable growing. In Beijing, the suburbs supplied 420 million kilograms of fresh vegetables, 23 percent more than the same period last year. The average price decreased 7 percent.

Big cities like Beijing and Shanghai stored enough frozen pork for half a year's consumption.

The major problem for non-staple food production at present is the feed problem, the paper quoted Liu Jiang, vice minister of agriculture, as saying at a recent national meeting in Beijing.

He said the price of feed went up because grain output decreased last year. In June this year, the market price of grain went up 53 percent compared with last year, and the price of corn went up 54.2 percent.

According to statistics from 22 cities, farmers kept 100 million fewer poultry compared with last year. In some areas, farmers don't raise pigs because of the rise in feed prices. Also fresh water fish ponds decreased by 110,000 hectares.

Ministry of Commerce Sends Products to Beijing
40060682f Beijing JINGJI RIBAO in Chinese
1 Aug 89 p 1

[Summary] The Ministry of Commerce has sent 50 million kilograms of rice, 5 million kilograms of flour, 10 million kilograms of soybeans, 1.5 million kilograms of edible oil, and other urgently needed industrial and sideline products to the Martial Law Department in Beijing.

Fujian Province Expects Record Harvest
OW0708100189 Beijing XINHUA in English
0937 GMT 7 Aug 89

[Text] Fuzhou, August 7 (XINHUA)—South China's Fujian Province is expected to harvest 3.55 million tons of grain this spring and summer, a record figure for the province, according to the Provincial Statistical Bureau.

This year's figure represents 7.4 percent growth over the same period of last year.

The bumper harvest resulted from a 25,000 hectare expansion of farmland devoted to grain production.

Owing to the improved supply of agricultural materials ranging from chemical fertilizers and pesticides to plastic sheeting, the province's grain output per hectare increased by 180 kg in the spring harvest and 375 kg in the summer.

Hebei Overfulfills Wheat Purchase Target
OW0208053789 Beijing XINHUA in English
0119 GMT 2 Aug 89

[Text] Shijiazhuang, August 2 (XINHUA)—Hebei Province, a leading wheat producer in north China, had purchased more than 1.2 million tons of wheat by July 20, overfulfilling this year's purchase target.

This year, the province harvested 8.4 million tons of wheat, a record high.

Apart from Qinhuangdao and Tangshan cities which have not yet completed their purchase quotas, the 12 other prefectures and cities have all overfulfilled their purchase targets.

It is learned that local governments at different levels in the province have strictly implemented the relevant grain purchase policies.

Henan Wheat Storage
40060682e Beijing JINGJI RIBAO in Chinese
2 Aug 89 p 1

[Summary] As of 25 July, Henan Province had put over 2.98 billion kilograms of wheat in storage. This year summer grain output in Henan was 17.24 billion kilograms.

Ministry Investigates Bogus Pesticide Cases
OW2907180789 Beijing XINHUA in English
1419 GMT 29 Jul 89

[Text] Beijing, July 29 (XINHUA)—Tang Zhenqiu, mayor of Miluo city in Hunan Province, has been dismissed from the post for seriously neglecting his duty to tolerate his subordinates to produce and sell false pesticides, according to a spokesman for the Ministry of Supervision.

The spokesman said further investigations are now under way to determine Tang's responsibility in the criminal case.

The heads of eight factories and other lawbreaking persons involved in the case have all been taken into custody for further investigations. They have been fined 240,000 yuan. The six buildings and a batch of high-grade consumer goods such as motorbikes and electric

appliances they used the illicit money to build and buy have been confiscated. Meanwhile, some people related to the case have been given administrative disciplinary measures.

This was one of the cases of producing and sell false pesticides uncovered by the Ministry of Supervision.

Investigations by experts and departments concerned showed that most of the 18 pesticide factories in Miluo city did not have necessary conditions for producing pesticides. However, the factories produced 5,700 tons of false pesticides and sold them to 131 counties in 17 provinces and autonomous regions throughout the country in 1988, obtaining exorbitant profits.

The spokesman said at a news briefing today that one of the reasons why the production and sales of false pesticides could not be stopped in the country was that some leading officials winked at the phenomenon or just took their local interests into consideration at the expense of the national economy and people's livelihood.

In order to stop the phenomenon, the spokesman said, the state technology superintendency had promulgated regulations on severely punishing those responsible for selling false pesticides. The Ministry of Supervision and departments concerned are now looking into similar cases throughout the country.

World Bank Loans Help Inner Mongolia Breed Livestock
OW0308063089 Beijing XINHUA in English
1152 GMT 2 Aug 89

[Text] Hohhot, August 2 (XINHUA)—The Inner Mongolian Autonomous Region has approved to build two livestock breeding and processing bases with loans offered by the World Bank.

According to the regional planning commission, the two projects need a total investment of 21 million yuan (about 5.67 million U.S. dollars), of which one half came from the World Bank, 20 percent are loans offered by the Agricultural Bank of China and the rest are funds raised by Inner Mongolia itself.

A regional official said, construction of the two bases in the Horqin grassland in east Inner Mongolia are scheduled for completion in two years. One will turn out 850 tons of chicken and duck meat and 490 tons of eggs and process 45,000 down garments a year and the other mainly raise sheep.

Jiangsu Cotton Farmers Face Difficulties
OW3007110889 Beijing XINHUA in English
0555 GMT 30 Jul 89

[Text] Beijing, July 30 (XINHUA)—Cotton farming in east China's Jiangsu Province is now facing serious difficulties, today's CHINA DAILY quoted an official from the provincial farming and forestry office as saying.

According to statistics cotton fields in the province decreased from 539,333 hectares to 528,666 hectares because of recent natural disaster. The area north of the Huaihe River in Jiangsu Province experienced several heavy rainstorms, which ruined 1,066 hectares of cotton fields.

Besides, because of this year's large area of late cotton, the production of cotton will be postponed.

At the same time, the decrease in summer grain production in the province will reduce the area of cotton fields.

The cotton problems could have a bad effect on the provincial textile industry.

Officials from the provincial agricultural department have pointed out that although there are some difficulties at present, a good harvest of cotton this year will be possible, with the joint efforts of the people in the province.

Experts suggest that more attention be paid to the growing of summer and autumn cotton.

In order to fight natural calamities, plant diseases and insect pests, the experts suggested that enough fertilizer should be applied to cotton fields, which may make the difference in getting a high yield of cotton this year.

They asked people also to make full preparation for preventing floods and water damage to the cotton, and to accelerate the growth of the early variety.

Vegetable Supply in Jiangsu Increases
40060686c Nanjing XINHUA RIBAO in Chinese
2 Jul 89 p 1

[Summary] According to statistics from 14 cities in Jiangsu Province, vegetable supplies from January to May totaled 400 million kilograms, an 11.12-percent increase over the same period in 1988. State-run vegetable companies supplied 53 percent of the vegetables.

IOU's Issued to Jiangsu Farmers
40060686a Nanjing XINHUA RIBAO in Chinese
17 Jul 89 p 1

[Summary] Grain departments in Guanyun County have been issuing paper slips to farmers, the slips do not state the procurement price of grain nor the amount owed the farmer, farmers only know the amount of grain sold. Lianyungang City has issued IOU's worth nearly 10 million yuan for hog procurement, and Donghai County owes hog farmers over 2.3 million yuan.

Liaoning Invests in Diversified Agriculture
OW0308065689 Beijing XINHUA in English
0939 GMT 2 Aug 89

[Text] Shenyang, August 2 (XINHUA)—Liaoning Province in northeast China is developing diversified agriculture in the Liao River Delta.

The development project was a state decision in August 1988, with an investment of 230 million yuan to be used in three years.

So far a 26-kilometer dike has been built in the delta to shelter 26,000 hectares of intertidal zone, which will be developed into 10,000 hectares of paddy fields, 6,000 hectares of reeds fields, and 4,000 hectares of prawn and fish ponds.

When completed, the project will annually turn out 200,000 tons of rice, 14,000 tons of prawns, 300,000 tons of reeds and other products.

Experts believe the project will help rationalize the production structure of Liaoning, a major heavy industrial base in China.

Qinghai Land Reclamation
OW0508133889 Beijing XINHUA in English
1230 GMT 5 Aug 89

[Text] By this July, northwest China's Qinghai Province had allocated 29.515 million yuan for land reclamation projects.

According to a local official, some 9,886 hectares of cultivated land will be reclaimed this year.

Shanxi Wheat Storage
40060682a Beijing JINGJI CANKAO in Chinese
18 Jul 89 p 1

[Summary] As of 10 July, Shanxi Province had put 428 million kilograms of wheat in storage, fulfilling 71.6 percent of the task.

Sichuan Autumn Crop Area
40060686e Chengdu SICHUAN RIBAO in Chinese
19 Jul 89 p 1

[Summary] As of 10 July, the autumn crop area in Sichuan Province was 15 million mu, an increase of more than 40 percent over 1988.

Plans To Expand Phosphate Output in Yunnan

OW3107110089 Beijing XINHUA in English
1427 GMT 30 Jul 89

[Text] Beijing, July 30 (XINHUA)—Southwest China's Yunnan Province, plans to boost annual phosphate production to 14 million tons in 15 years and supply 50 percent of the domestic demand by the year 2000, according to the provincial authorities.

The province, with verified phosphate deposits of 2.15 billion tons, ranks third of the country's five phosphate-rich provinces, behind Hubei and Guizhou and ahead of Hunan and Sichuan, today's CHINA DAILY reported.

Yunnan mined 3.6 million tons of phosphate rock last year, and 2 million tons were shipped out of the province for fertilizer and chemical factories in 24 provinces, the paper quoted Li Cunsheng, deputy chief of the industry division of the provincial science and technology commission as saying.

Such a project would need the support of the central government and the investment of several billion yuan.

"The demand for phosphate products is decided by the need of agriculture," Li said. "The official estimate of the need for phosphate fertilizer by the year 2,000 is 7.5 million tons."

The province has one of the country's largest phosphor production systems, turning out 30,000 tons of phosphor a year at the Kunming fertilizer factory. It also has the country's largest and most advanced "three circle" production line at the Yunnan phosphate fertilizer factory, turning out double phosphate, ardealite and cement in one chemical complex.

Two provincial institutes and three factory-level institutes specialize in research and development of the phosphate industry.

"We will need to resort to many financial sources to realize our goal, including foreign loans, central and provincial government investments, factory funds and money from other provinces," Li said. The province is preparing to negotiate with the World Bank and a Japanese funding organization for loans.

Yunnan Procurement Funds

40060686d Kunming YUNNAN RIBAO in Chinese
20 Jun 89 p 1

[Summary] Banks in Yunnan Province have set aside 150 million yuan for spring grain and oil procurement.

CENTRAL-SOUTH REGION

Crimes on Campuses Increase in Guangdong *OW2607075289 Beijing XINHUA in English* 0539 GMT 26 Jul 89

[Text] Beijing, July 26 (XINHUA)—An increase in crimes committed by college students on campuses is calling for attention to the need for legal education.

A survey of 49 universities and colleges in Guangdong Province, South China, shows that 626 students committed crimes between 1981 and 1988, a ratio of two students in a thousand.

An article in LEGALITY NEWS, a Beijing-based newspaper, analysed the causes of crimes committed by college students.

It noted Guangdong Province has benefited greatly from China's open policy by importing advanced technological equipment and attracting overseas investment. However, it has also been exposed to pornographic publications and videotapes coming in as well and these have had a vicious influence on college students, the paper said.

The worship of money that has spread country-wide has also found expression and support on campuses. Many universities and colleges have got involved in businesses under the pretext of a part-work and part-study system, contracting some operations to their students who have wound up spending a lot of time on the jobs to the detriment of their studies.

Furthermore, a lack of legal and ethics education has exacerbated a decline of morality on campuses. Some universities and colleges have not worked out strict regulations according to the law.

Slack management during summer and winter vacations should also be blamed for providing opportunities for criminals, resulting in an increase in crimes on campuses.

According to the article, many students who were good in their middle schools lost interest in political and ideological studies after entering universities and colleges and became preoccupied with pleasure-seeking. Hedonism led them into crime, the article said.

The crimes have included gambling, larceny, smuggling, fraud, and prostitution.

The survey also showed that students in their final two years made up more than 80 percent of the total criminals on campuses.

A girl student became a kleptomaniac even though she received enough financial help from her parents to meet her needs. Her suitcase was found filled with stolen items.

"I myself cannot understand why I cannot control myself when I see foreigners' wallets and articles," she said. "I try my best to get them because they have become a part of my life."

She stole to get rid of her depression with life, she said.

Assaults account for about 30 percent of the criminal cases on campuses and have resulted in more than 170 injuries and deaths, the article said. Gang wars have erupted in struggles for supremacy or from jealousy in love.

Hainan Issues Regulations on Improving Work Style

HK2507023189 Haikou Hainan Provincial Service
in Mandarin 0300 GMT 23 Jul 89

[Text] The following are regulations on improving leadership style issued by the Hainan Provincial CPC Committee and the Hainan Provincial People's Government and passed by the enlarged meeting of the Hainan Provincial CPC Standing Committee on 22 July 1989.

In order to inherit and develop the glorious traditions and fine work style of the party, improve the work style of party and government leadership organs and leading cadres, and become real public servants of the people, members of the leading bodies of the provincial party committee and the provincial people's government and leading cadres at and above the provincial, bureau, and departmental levels (called leading cadres for short in the following) must accomplish the following:

1. Cut the number of meetings to a minimum. Meetings called by the provincial party committee and the provincial people's government and meetings at the provincial level held by departments will be strictly examined and approved, the duration of a meeting must be cut short, practical results on solving problems at meetings must be emphasized, the number of meeting participants must be reduced, and outlays for meetings must be cut back. Principal leaders of the provincial party committee and the provincial government, do not, generally speaking, attend meeting held by departments, and provincial leaders in charge of their relevant department may attend if necessary.
2. Principal leaders of the provincial party committee and the provincial government shall not, generally speaking, attend celebrations, commemoration meetings, ribbon-cutting ceremonies sponsored by departments and branches of other provinces in Hainan, except for important foreign-related activities. If really necessary, representatives entrusted by the provincial party committee and the provincial government may attend.

3. Leading cadres must spend at least 1 to 2 months every year at grassroots units to conduct investigation and study, sum up experiences, and help grassroots units and the masses solve problems. When going to grassroots units, leading cadres must drive in a light carriage and with a small entourage, and no welcome ceremonies and farewell parties should be held in honor of them. They must share expenses and pay for hotel charges strictly according to rules and regulations. It is better not to give much publicity to and coverage of activities of leading cadres staying at grassroots units.

4. No individual leader should try to have the final say on some major issues, and the principle of centralism on the basis of democracy should be adhered to. Leading cadres must establish close ties to the masses of the people and constantly heed the opinions of the masses, especially the opinions of retired cadres, intellectuals, minority nationality cadres, and people of various circles in order to have a stronger sense of democracy and science in policymaking and to avoid or reduce errors in work to the minimum.

5. Work efficiency in party and government organs must really be improved. Higher authorities and leading cadres must give a timely reply to instructions asked for by their subordinates and the reply should not be later than 10 days from receipt of letters.

NORTHWEST REGION

Xinjiang's Minorities Reevaluate Cultural History

Retrospection Movement 'Inspires' Ethnic Groups
40050512 Beijing XIN GUANCHA [NEW OBSERVER]
in Chinese No 7, 10 Apr 89 pp 1-4

[Article by Meng Qibei 1322 7459 0554: "Xinjiang's Minority Nationalities Start Off as They Rethink Their Past"]

[Text] Since early last year, Xinjiang's Uygur intellectuals and elites have organized a group to look back at their history and culture. The Uygurs are the most important ethnic group in Xinjiang, and naturally the other fraternal nationalities such as the Kazaks, Mongolians, Kirgiz, Uzbeks, and Hui, have followed suit and added momentum to each other's movement and they have converged to form a forceful ideological trend. As the people become adjusted psychologically to this kind of rethinking, they have added impetus to this ideological trend, which has greatly inspired and encouraged the many ethnic groups in Xinjiang. Some people call it "the spring thunder that strikes a region which has long been sealed off"; others call it a "makeup lesson on the May 4th Movement for minority nationalities"; some say it is the "awakening of the minority nationalities under the new historic conditions." Comrade Song Hanliang [1345

3352 5328], secretary of the Xinjiang Uygur Autonomous Regional Party Committee, said, "this movement has paved the way for promoting Xinjiang's ethnic culture and developing new racial relations."

Xinjiang's ethnic groups were nomadic herdsmen in the early days. Archaeological finds indicate that they had formed an alliance with merchants of the central plains and the two river basins more than 3,000 years ago and had paved the road that linked the East and the West, through the desert and the wilderness, the Taklamakan Desert, Kunlun Shan, the Karakoram, and the Pamirs... And so the people who had lived a quiet life, isolated from the rest of the world by its natural environment, began to associate with other people and began to move around. The ethnic groups in the steppes of central Asia became highly mobile, and historic conditions have made them a free-spirited people. The advanced civilization of ancient Eurasia—the culture of the central plains and the Greek, Roman, Persian, Indian, and Islamic-Arabic cultures—spread to Xinjiang along what is generally called the Silk Road, from the steppes to the desert to the mountains. Further processed by the intelligent races that lived in the oases, these cultures began to spread in all directions. It will not be an exaggeration to call Xinjiang the transfer point of ancient civilization. Experts and scholars have yet to evaluate the role these nationalities played in the history of human civilization. When ocean transport became more popular, the Silk Road was less traveled. But even until just before the liberation, Xinjiang kept in touch with the outside world. Devout Moslems could still go to Mecca in Saudi Arabia via Shanghai and Hong Kong, or they could travel from the Soviet Union across the Black Sea to the Bosphorus and through the Dardanelle Strait. As for the merchants, they were even more resourceful. Besides traveling by camel as they traded frequently with inland cities, like Beijing, Tianjin, Taiyuan, Xian, Guisui (Hohhot), Baotou, and Zhangjiakou, some also traveled to the Soviet Union and Mongolia via Ili, Tacheng, Toli, and Ertai, and others crossed the Hongqilafu to Pakistan and Afghanistan and then to Turkey; some climbed the Kunlun Shan to India via Ali. We should also remember that Tang Seng traversed Xinjiang on his pilgrimage and, after the October Revolution, the revolutionaries also passed through Xinjiang on their pilgrimage to Moscow for the Marxist-Leninist scriptures. Even though little news from the outside was available at that time, Xinjiang was not cut off from the world. After the liberation, as the international situation changed, first the road to the Islamic world was closed, then the road to the South Asia subcontinent was blocked, and later, the Chinese-Soviet and Chinese-Mongolian borders were also closed. Since then, Xinjiang has been cut off from the world by high mountain ranges; other than communications with the mainland, it has been sealed off by a natural range of blockade. The extreme-leftist line shackled the people's minds, reinforcing the psychological block. A person long held in a closed environment will have a distorted state of mind; it is even more so for a race.

For many years, we have come to think we should try to understand the natural elements of an objective world, but there is no need to learn more about the social elements, because basic Marxism explains everything. As a result, all channels of knowledge, the studies of history, psychology, sociology, statistics, and aesthetics, are blocked. If we study carefully the effects of the long years of confinement on the spiritual world of Xinjiang's ethnic groups from the sociopsychological point of view, we will discover many things. Since the 3d Plenary Session of the 11th CPC Committee, because the Han people's resentment toward the gang of four was only political, not racial, and as the effort to bring order out of chaos broadened in scope, their grievances have been vented, and they are able to stride forward. But things are different for the ethnic minorities. As a reaction against the national nihilism of the gang of four and their cruel destruction of the culture of the ethnic minorities, a rebellious sentiment has emerged. Everything of one's nationality is good; everything else is rejected, resisted. This kind of emotional barrier has no doubt tightened the stranglehold of the original blockade. With this emotional barrier, even if outside information is available, it is seldom accepted; it is resisted. In recent years, history has zig-zagged along, and for the Han nationality, despite the twists and turns, the spearhead has always pointed forward. But spiritually, the fraternal nationalities in Xinjiang have gone into a circular orbit, and the diameter of this orbit is shrinking. This emotional barrier is inseparable from the love for one's own race; it is difficult to detect its flaws, and even if the knowledgeable are aware of the defects, they are not going to oppose it; no one wants to be alienated from his own people. The Uygurs are friendly people; not getting an invitation to weddings and funerals or circumcision ceremonies would be the most humiliating thing. This kind of emotional barrier is a blending of the sense of value, morality, and aesthetics, and of social customs, feelings, habits, religion, and so on. It will take much more to remove this barrier than the activism of one or two people.

Reform, opening up, and the commodity economy have created a historic opportunity for the nationalities to escape confinement. In ancient times, the Uygurs had assimilated the other ethnic groups along the Silk Road, especially the Litu people, often called the Jiataiji of the East. Their business finesse was inherited by the Uygurs. Reform and opening up have given the Uygurs the green light to put their business talents to work. Each year, tens of thousands would go east of Shanghaiguan to do business in large and mid-sized cities. For example, Guangzhou's Sanyuanli has become the Uygur's trading post. They bring products as well as new concepts, new information, and new understanding of the ethnic minorities. Meanwhile, each year, tens of thousands of skilled workers, businessmen, and industrialists from Sichuan, Zhejiang, Jiangsu, and Henan come to Xinjiang. They are bearers of news and in this new historic period there is renewed population migration, and this

naturally commingles the different cultures. Economically, Xinjiang has also forged lateral ties with similar enterprises in large and mid-sized cities inside the Shanghaiguan. One more lateral tie means one more conduit to spread information. The Huoerguosi town in Ili is open to the Soviet Union, and the Uygurs and Kazaks who visit friends and relatives in central Asia can witness with their own eyes the economic and cultural developments in the Kazakh, Uzbek, and Kirghiz Soviet Socialist Republics. After the Taxkorgan Pamir's Hongqilafu town opened its door to the outside world, Kashi once again looks like its old self at the height of the Silk Road era. On the streets, one finds crowds of foreign businessmen and tourists. Via this town, Uygur merchants travel to the Islamic world and witness the changes in western Asia and in the Middle East. Devout mullahs and imams go on their pilgrimages to Mecca and bring back news that astonish the people of Xinjiang. Religious atmosphere is fading in Muhammad's birthplace. Bombarded with all these new information, can the Uygur intellectuals and elites be indifferent?

Closure means stagnation, decay. This is especially evident in the biological world. A series of unpleasant events have occurred in Xinjiang. At the Sixth National Games, Xinjiang came away empty-handed. One pebble raises a thousand ripples, and there was immediate public outcry. Xinjiang is known as the home of song and dance, but, while Gansu, Inner Mongolia, Ningxia, and Tibet have all staged wonderful shows in the capital, Xinjiang has not participated. Repeatedly, in recent national song and dance competitions, Xinjiang has lost to the others, and Xinjiang's traditional song and dance have become less popular at home. At Xinjiang's first art festival, the localities worked hard to present fine entertainment programs. They were awarded with criticism. When the competitive mechanism is introduced into society, people who are used to a leisurely life suddenly find themselves threatened. History and life are merciless. They often show people what they do not wish to see, forcing people to face the naked truth, forcing them to do some serious thinking. The manager of the magazine XINJIANG YISHU [XINJIANG ART] is a man with foresight. Three years ago he published an article that aroused the people's sense of suffering and retrospection. This time, it was the same magazine that let the spring thunder be heard again. The article on "Xinjiang's Song and Dance Crisis" is not long, but the words are sharp and to the point. It brings out all the issues that the people of Xinjiang have often discussed in private but have never had the courage to air publicly. Immediately, there were cheers from all sides. This short article, however, was misunderstood by the cultural department, which had come to regard the work as a negation of the department's accomplishments. In fact, the article discussed only social problems and not the competency of any department. Furthermore, "crisis" has always been a term reserved for capitalism; many find it unacceptable to use it to describe a specific socialist undertaking. And so along came the denunciations and the threat of formal

criticisms and demands that the author conducts self-criticism. Suddenly, danger loomed everywhere and the situation grew tense. It was not until the secretary of the autonomous regional party committee, Sung Hanliang, and the chairman of the autonomous regional people's government, Tomur Dawamat, made a mild and tactful criticism of Xinjiang's cultural undertakings that XINJIANG YISHU was spared. "This undermines racial relations"—this in Xinjiang is the most effective warning. No matter how right you are, as soon as someone flashes this trump card, it will silence you immediately. In regions with many minority nationalities, this is a necessary added consideration; if abused, however, it becomes just an excuse to conceal faults and gloss over wrongs, too many things will be whitewashed, and we will learn nothing from our experiences. This is not conducive to development of our undertakings. Today, the most sensitive spot has yielded a breakthrough point. With this precedent, the old attitude of silence, "quiet as a cicada in cold weather," has changed completely.

Last June, XINJIANG YISHU's editorial department sponsored a Symposium on the Present Condition of the Performing Arts, which was attended by many specialists and scholars. It has become the usual practice in Xinjiang in recent years that at these meetings that are attended by different ethnic groups, people treat each other politely, the words are polished and smooth, everybody sings a happy tune and puts on an appearance of unity, and that is considered "a job well done." XINJIANG YISHU's meeting was completely different. Anniwaer, assistant dean of Uygur Studies at the Xinjiang Art Academy, led the attack: "Our race's song and dance have lost their popularity. Why? Because we are afraid to express the traditional formula handed down by our ancestors." He presented his views in a forthright manner, and everybody was impressed. Human beings are great, but sometimes they are so very naive. Often they know that they are being deceived by their own imagination, but they still whitewash and defend themselves vigorously. It is those who speak the simple truth who must have the utmost courage. Anniwaer's speech was indeed courageous. He cried out against the injustice done to the article "Xinjiang's Song and Dance Crisis." His speech showed the magnanimity of the Uygur race; his courage dissipated the participants' earlier misgivings. Everybody responded to his call. This symposium was the preamble to Xinjiang's cultural retrospection. Xinjiang's radio and television and the URUMQI WANBAO and others, with characteristic sensitivity and speed, spread the news quickly. This became the new voice that permeated every level of Xinjiang's society. This voice spread far beyond the scope of performing arts. In fact, it brought out a new concept among Xinjiang's many minorities nationalities: we must not let every drop of accomplishment evaporate into the rainbow; we must arouse a sense of anxiety that burns

away our complacency and self-satisfaction as we uncover our own flaws, inadequacies, and backwardness and then turn that anxiety into a driving force that pushes us forward.

Among the many fraternal nationalities that form the Chinese nation, in terms of having a long history and a splendid ancient culture, only the Uygurs can match the Han people. A long history can become a heavy burden to race, but it can also serve as the deep cultural foundation that helps its people understand the times and the world. A new wave is rising in the hearts of Uygur intellectuals and elites. Subsequent to interviewing many Uygur specialists and scholars, a Mongolian writer wrote a report, "Starting Off Amid Retrospections," in which he wrote about the sense of rebellion among the Uygur people triggered by the extreme leftist line, about the spiritual confinement created by the psychological dependence resulting from the government's welfare policy, and about how the Uygur elites have been rethinking their history and culture subsequent to the reform and opening up and the birth of the commodity economy. After he completed his work, the author began to worry that his article could cause trouble. ZHONGGUO XIBU WENXUE [LITERATURE OF WESTERN CHINA] took a chance and published his work triggering immediate reaction. Leading party and government comrades of the autonomous region were impressed and recommended it with enthusiasm. The president of Xinjiang's Society of Lu Xun Studies and Uygur translator, Tuohuti Bake, and his son are among the leaders of this retrospection movement. He immediately translated the article into his native language, and the work was published in TALIMU No 11, 1988. To everyone's surprise, it created a furor among Uygur readers. Uygur students at Xinjiang University, Xinjiang Normal College, and Xinjiang Institute of Technology organized their own discussion groups. Hetian Teachers College even assigned it to the students as required reading, and the students delivered their commendations afterward. In Kashi, even religious sects and small business owners and peddlers rushed out to buy the magazine—TALIMU was sold for 15 yuan each in the black market. This furor fully reflects the state of mind of the Uygurs. Of course, the important thing is that after 10 years of reform, the young shoots that have germinated in the hearts of the fraternal nationalities have burrowed a hole through the outer shell of old concepts, and the light of the new era can now shine through. Set free from the prison of old traditions, people want to stride away from backwardness; they want to move forward and replace old ideas and old concepts with new thoughts. These ideas have made people restless, but most did not know what to do; they were confused. But now that someone has written about it, it has struck a sympathetic chord.

Movies like *The Old Well*, *Red Sorghum*, and especially the six-episode TV series, *River Elegy*, have had a special effect on Xinjiang. Last year, many young Uygurs, Kazaks, Mongolians, Kirgiz, and youths of other races

read Bai Yang's [2672 2799] *The Ugly Chinese* and asked, "Why do the Han people have these problems and we don't?" "Do our writers have the guts to write about these things?" After watching these movies and TV shows, the discussions grow even more heated. "The Han people dare to expose their backwardness. Do we dare scratch our spiritual sore spots? Do we dare?" The Kazak intellectuals remember the great poet Abaiyi. He loved the Kazaks. More than a hundred years ago, he attacked the defects and the inveterate spiritual ailments of the Kazak tradition and culture. The Uygur intellectuals recall the great poet of Turpan, Weiguer. Back in the 1930's, he criticized the conservatism and the strong religious ideologies of the Uygurs. Like Lu Xun of the Han nationality, their love for their own races is not the purely perceptual kind of love, which is superficial; it is a rational kind of love. This love is not expressed through flattery, adulation, or the utterance of high praises; rather it is with exposure and sharp criticism of all the backward conditions. Only if a race has this kind of thinker, writer, and poet can it be considered a modern, civilized people. These people are springing up like mushrooms among the Uygurs. Xinjiang University professor Abdushukur Muhamedimin is a great scholar. Within the last 10 years, he has published more than 10 books on aesthetics, history, music, philosophy, and other sciences. He is an advocate of the mixing of cultures; his advanced ideas are not tolerated, and he has lived long years in isolation. Today's climate permits him to publish the article "Racial Progress Needs Historic Retrospection" in XINJIANG RIBAO's "Culture and Society" column. Anniwaer Tuohu wrote "From the River Elegy"; Tuohuti Bake wrote "We Need the Spirit of Lu Xun", and Azi Yusufu wrote "Acquire a Correct Attitude if You Care About the Future of Ethnic Groups." Soon this spread to other ethnic groups. The young female Kazak writer Yerkexi Kuerbanbiekewa wrote "Let the Sky-Blue Sea Breeze Sweep the Green Prairie"; young Kazak researcher Nabijin Muhammedkan wrote about Xinjiang's religious zeal in "Man and God"; Xinjiang Social Science Academy's Uzbek assistant researcher, Keder Aikebaier, wrote "Cultural Confinement Is the Biggest Obstacle to Racial Advancement"; Kirgiz researcher Manbaituerdu, wrote "Do We Know Ourselves?", and Xinjiang University's Mongolian lecturer, Danbi, wrote "Stones From Other Hills Can Be Used To Polish Jade From This Hill." From these titles, we can see how broad and profound these writings are. The retrospective spirit quickly spread to the institutions of higher education. Student representatives of the ethnic groups at Xinjiang University held a series of discussions and displayed the high standards of today's university students. Uygur student Aerken Rouz wrote "My Two Thoughts," in which he said, "All these years, we have gone around in a circle. People with advanced ideas who criticized our backward situation are discriminated against and find themselves alienated. This is a frightening phenomenon. The awakening of one race does not mean opposing another race; rather, it means burying the backward customs and practices, the fatalistic viewpoint, the escapist attitude of a hermit, the

belief in nonexistent things, and the refusal to accept new viewpoints—things that have prevented our race from making progress." We need to rethink everything, from literature and art to every aspect of social ideologies, from the macrocosm to the microcosm, from the perceptual to the rational, from the concrete to the abstract, from traditional culture to cultural tradition, and from external conduct to internal feelings. Mixing all these articles together is the description of life deep in Xinjiang society today. There is no exaggeration, no minimization; it alerts the people, troubles them, and shocks them. It brings acute discernment that awakens the benighted; it also gives people the spiritual strength to break out of their confinement even as they ponder. The target of retrospection is the old concept and system. Changing this system is a grand social project. It will be unrealistic to expect overnight success. People are the conveyers of concepts and, realistically, there will also be manmade obstacles. But, since the intellectuals and the elites of the ethnic minorities have pierced the roots of those old concepts and systems with their pens, can their branches and leaves survive for long?

Retrospection is the expression of a nation's self-respect, self-confidence, and self-esteem. In those articles, we will not find national nihilism; instead, we will find a scientific attitude that speaks only the truth. What they convey to society is not negative pessimism; rather, they stimulate a new vitality that lets us pursue new creations and new developments even more vigorously. This fine situation is what the people of different races in Xinjiang have longed for, but nobody expected to achieve it so soon. Everyone wants to add impetus to this ideological trend. Early last January, the editorial departments of XINJIANG YISHU and XINJIANG RIBAO and the Institute for the Study of Ethnic Literature of the Xinjiang Academy of Social Sciences jointly sponsored a Cultural and Racial Advancement Symposium. For two days, specialists and scholars of six different races analyzed and criticized the backwardness of their respective cultural traditions and the national state of mind. The Han scholars frankly admitted that for the nation as a whole, the Han people have been doing their rethinking for many years, and there have been several high tides. Today, they are trying to broaden and deepen the process. The Han people in Xinjiang, however, have lagged behind the Uygurs and the other ethnic groups. Young editor Li Qiang [7812 5638] advanced the following viewpoint: individually, many of Xinjiang's Han people have kept up or exceeded the nation's advanced standards. As a group, because most of them are peasants who have moved to Xinjiang and do not represent the advanced Han culture, many negative things have adversely affected the fraternal nationalities. Comrade Chen Baizhong [7115 2672 0022], editor of ZONGGUO XIBU WENXUE, has also examined the ideological weaknesses of some of the intellectuals who have moved to Xinjiang. This frank and honest attitude truly reflects racial friendship; it shows that there is no estrangement, no forearming, no precaution, and no evasion. The participants were able to reach mutual understanding at

a high cultural plane. All the participants were moved by this harmonious atmosphere. Some older comrades recall the relationship between the Han people, represented by Mao Zemin and Chen Tanqiu, and the minority nationalities during the War of Resistance Against Japan. The deputy head of the autonomous regional party committee's propaganda department, Comrade Li Kangning [2621 1660 1380], showed tremendous interest and listened to all the speeches delivered at the symposium. He said with great emotion that, "I have not participated in such a fine meeting in decades. If the experience of this symposium is brought to every corner of Xinjiang's society, there will be no more racial problems." XINJIANG RIBAO changed its square and old-fashioned style and used very attractive typesetting to carry a full page of reporting on the speeches delivered at the symposium. The content that really set people thinking attracted many readers in party and government organs, in factories, mines, and enterprises, and in the armed forces and schools. This symposium will be immortalized in Xinjiang's cultural history. During the same period, Xinjiang's television produced a three-part documentary called *Oh, Home of Song and Dance* which expressed Xinjiang's ideological trend of retrospection through the images of song and dance. In one close-up frame after another, well-known personnel from each nationality candidly criticized society's conservative, backward phenomena. From the point of replacement of old concepts by new concepts, in just one year, Xinjiang has taken a big leap forward. Problems that were closely guarded secrets yesterday are being discussed openly in the newspaper today. Matters that could have caused trouble yesterday have become hot topic of conversation today.

The ideological trend of retrospection among Xinjiang's minority nationalities was not started at the top and therefore it has not attracted much attention in the autonomous region. As for the capital, the sky is high and the emperor is far away; news has not traveled that far yet, and so the thinkers and scholars do not know about it. But we believe that sooner or later, theorists and scholars nationwide will study this topic carefully.

Cultural retrospection is a new topic. At the beginning, it was strange to many people who simply could not understand or had misunderstood the movement. Two leaders of the autonomous regional party committee's propaganda department, Feng Dabing [7458 1129 0365] and Li Kangning, gave their hearty support. As more and more reflective articles were published, it gradually became a hot social topic in Xinjiang. Upon hearing the propaganda department's report, Comrade Sung Hanliang, secretary of the autonomous regional party committee, said, "I am enlightened. This has broken a new path for developing Xinjiang's racial relations." In his congratulatory speech delivered recently at the autonomous region's Fourth Literary and Art Representative Meeting, assistant secretary of the autonomous regional party committee and chairman of the autonomous regional people's government, Tomur Dawamat, said,

"The intellectuals have been rethinking their culture. We support them. This is our stand." Influenced by the high-level leaders, many celebrities of fraternal ethnic groups have expressed wholehearted support for this retrospection movement. To commemorate the 70th anniversary of the May 4th movement, the autonomous regional party committee's propaganda department is prepared to convene a second Cultural and Racial Advancement Symposium in May. May has been designated Xinjiang's racial unity month. An important part of this year's unity month will be to promote profound understanding among the fraternal nationalities on the cultural level through retrospection. The Urumqi City Party Committee's Propaganda Department has decided to hold a citywide, cadre-level report meeting on culture, science and technology, public health, and education. They have invited the leaders of the retrospection movement to report on various topics so that more people will come to understand the meaning of retrospection and join the movement.

Professor Comments on Retrospection

40050512 Beijing XIN GUANCHANG [NEW OBSERVER]
in Chinese No 7, 10 Apr 89 p 5

[Article by Abdushukur Muhamedimin, Professor, Xinjiang University: "Racial Advancement Needs Historic Retrospection"]

[Text] Every epoch-making development of society's productive forces and every social change of global significance brings renewed historic retrospection, new self-recognition, and new ideological changes. This is the basic law of development of productive forces, of productive relations, and of mankind's ideological dialectics. Mankind not only discovered the laws of nature and society, but through retrospection, it finds itself again, rediscovers itself, redefines its relations with nature, society, and other domains in life, and derives a new, higher level of consciousness of the era to guide its deeds.

A nation produces its traditional history, it engages in historical retrospection, and it makes new history as it develops—this is historical dialectics. Historical retrospection, the willingness to open up and absorb, and a brand-new spirit are the magic weapons of a nation's historical development, the lifeline that links a nation to its future.

Rethinking the past is to develop a better today and create a better tomorrow. The ability to rethink the past, and the depth and breadth of this historical retrospection mark the cultural standard of the nation today. Today's historical retrospection is a new kind of thinking that has developed as competition became more intense after the human race entered the modern industrialized era. To win in the competition, one must look at one's own inadequacy, backwardness. If one only looks at one's accomplishments, one will become too complacent, lose one's gumption and creativity, and eventually be eliminated. The better developed the commodity economy,

the more intense the competition and the more rigorous the process of elimination of the inferior by the superior. This forces many to rethink the past. The Chinese nation has long been influenced by its agricultural mold. A self-sufficient natural economy does not generate a sense of the times. The extreme leftist line of thinking, its "results are what is important," and "look at the mainstream, not the tributaries" is typical of a society with a natural economy. It still shackles people's minds today, preventing formulation of modern ideologies. Xinjiang is located on the frontier and has long been isolated from the outside world. Without concentrated doses of outside information, ideologically Xinjiang is a closed society. Like their Han counterparts who have not yet escaped the mold of the agricultural society and who worship their history blindly and without reservation, many of our people too worship our history blindly and without reservation. Han legend says "Lu Ban made a wooden kite that was airborne for 3 days," and so people say that China had invented the airplane 2,000 years ago. We Uyghurs have similar stories. Some people maintained that "Fuli Zhihui" [Good Fortune, Happiness, and Wisdom] and the "Tujue Dictionary" were written in the 11th century; some say that "Xinjiang had completed all the historic tasks 3 centuries before Western Europe's Renaissance." Little do they know that the Renaissance not only gave birth to humanism but also made possible the transition from feudalism to capitalism. In the 11th century, capitalism was nonexistent in Xinjiang.

A nation cannot forever seal itself off and cling to the old and reject the new. The interaction between the internal conflicts of social development and the development of mankind will change this kind of closed mind and backwardness. In particular, in this era of rapid information, facts prove that races that have remained in a closed and backward environment are more prone to rethink their history. In recent years, the ideological trend of historic retrospection has spread across the country, from top to bottom. Advanced elements of the Han nationality are fueling this fire, and people are gradually being liberated from the old concepts, and they are more tolerant and better adjusted to the new situation and new things. *River Elegy* has pushed historic retrospection to a new height. Because of this TV series, I am more aware of the great wisdom and the determination of the Chinese people as they learn more about themselves. Lun Xun's famous *The True Story of A Q*

was the bell that rang in this kind of psychological retrospection; it was the mirror that reflects a dissection of ourselves from a different angle. Xinjiang's Uyghur, Kazak, Mongolian, and other nationalities have their own glorious national culture and history; they too have fervent hopes for the future. Xinjiang's nationalities need their own *True Story of A Q*, their own *River Elegy*, and a detailed dissection of themselves.

In the wake of widespread opening up and reform, some advanced elements among Xinjiang's minority nationalities have emerged to lead their people's historical retrospection. Some say, "Aren't we just displaying our own flaws and inadequacies for all to see?" At the beginning of this rethinking process, it is painful. The Han nationality is experiencing this pain. We of the minority races too should experience this pain. Marx said, "Humiliation cannot take the place of revolution, but I think humiliation itself is a revolution." He also said, "Humiliation is introverted anger. If the whole nation feels humiliated, it will crouch like a lion ready to attack." Marx referred to a country, but it is just the same with a race. The idea that domestic shame must not be made public is a small producer mentality. We must get rid of this kind of narrowmindedness. With true love for our race and a deep sense of responsibility, we must banish this sense of total isolation, give play to the fine tradition of our race, open up to the outside world and absorb what others have to offer, and enrich our national cultural treasure house, so that we can become a highly civilized, modernized socialist race with a sense of the times. This is a task history has assigned to us, and it should also be our conscious choice.

Finally, we should see clearly that there are people who cry out for national "retrospection," and national "awakening," but their appeal is not for the kind of awakening that is guided by contemporary ideologies, not the kind of awakening that follows the trend of historic development, not the kind of modern national awakening that elevates our race to a higher socialist civilization. Contrarily, their appeal is for the resurrection of Pan-Turkism, the resurrection of national splitism. They are partial to feudalistic ideologies, and they want to retreat to the Middle Ages. In truth, hiding behind the banner of national awakening, they are destroying the bright future of the ethnic groups. We must remain sober-minded and not be deceived by this kind of "awakening."

Banks To Back Macao Airport Scheme
OW0208020889 Beijing XINHUA in English
0731 GMT 1 Aug 89

[Text] Hong Kong, August 1 (XINHUA)—A number of banks here, including Hong Kong Bank and the Bank of China, have shown keen interest in financing the 3.5 billion pataca (about 449 million U.S. dollars) for the building project of the international airport in Macao, local press reported today.

The Macao Airport Company (MAC), the consortium responsible for building the airport, would arrange financing for the project when construction began in September.

It is reported that the plan is to arrange loan syndication up to 2 billion pataca for the project and the remaining 1.5 billion is expected to come from MAC partners.

The Macao Government decided late last year to build an interantional airport on Taipa Island. In March this year, the Government signed a contract for the construction and management of Macao Airport, the first in Macao.

According to Mr. Stanley Ho Hung-sun, one of the partners in the project, the airport might be completed by 1994 instead of 1993 as originally planned.

MAC currently has three shareholders, the Macao Government, Ho's Sociedade de Turismo e Diversoes de Macau (STDM), and China-backed Chung Luen, the three together hold a 75 percent stake. The remaining 25 percent has yet to be allocated.

Trade Deficit Up 54 Percent for 1989
HK2707011389 Hong Kong SOUTH CHINA
MORNING POST (BUSINESS POST) in English
27 Jul 89 p 1

[By Amelia Cabatt]

[Text] Hong Kong's trade deficit rose by 54 per cent to \$13.47 billion in the first half of 1989 against last year's \$8.75 billion indicating the territory is heading for a poor trade balance by the end of the year.

Figures released by the Census and Statistics Department show export growth for the first half of the year slowed sharply from the same period in 1988.

However, observers said that June's trade results did not reflect the massacre in Beijing, whose negative affects on Hong Kong's trade performance were not expected to be felt until sometime in the fourth quarter.

Total exports for the first half of this year rose 23.6 per cent, with domestic exports up 6.7 per cent and re-exports up 37.7 per cent.

By contrast, total exports in the first half of last year were up 28.3 per cent, while domestic exports and re-exports were up 11.5 per cent and 46.4 per cent respectively from the first half of 1987.

In absolute terms, total exports in the first half of this year stood at \$263.15 billion, domestic exports at \$102.06 billion and re-exports at \$161.1 billion.

Meanwhile, imports grew faster than total exports. They rose 24.8 per cent to \$276.62 billion.

Citicorp Scrimgeour Vickers economist Keith Wu Shiuk-kee said the six month trade deficit was worrying.

"At this rate, even with the expected pick-up in exports for the third quarter of the year with Christmas and New Year orders, it looks as if the trade deficit could reach \$13 to \$14 billion for 1989," he said.

The deficit last year stood at \$5.73 billion compared with a small surplus of \$86 million in 1987 and \$571 million in 1986.

Analysts point out that the merchandise trade figures do not include Hong Kong's surging export of services.

Some economists believe Hong Kong's export performance for the rest of this year will depend on how much China cuts back on imports from Hong Kong as part of an austerity program announced earlier this year.

The health of major markets, such as the U.S. and the European Community, are also a factor.

"I believe we can even factor out the Tiananmen massacre from Hong Kong's trade performance," said Mr Wu, "It has a psychological impact more than anything else."

Hong Kong Bank economist Robert Tam put growth of domestic exports for the year at six to seven per cent, half of last year's domestic export growth of 12 per cent.

"With retail sales dropping off in major markets, it's inconceivable that Hong Kong exports could continue to soar atop the high growth rates of last year," he said.

In June, domestic exports grew at a moderate rate of 4.6 per cent year on year to \$18.96 billion, while re-exports grew at a healthy rate of 33.6 per cent to \$29.89 billion.

Total exports rose 20.6 per cent to \$48.84 billion, while imports rose 15.9 per cent to \$50.05 billion.

The trade deficit stood at \$1.21 billion, or 2.4 per cent the value of imports, far below June last year when the deficit stood at \$2.7 billion or 6.3 per cent the value of imports.

June results in fact show a strong improvement over May when domestic exports grew by only 4.6 per cent and re-exports rose only 30.6 per cent.

A government secretariat spokesman said the month's results showed disruption to Hong Kong's export trade due to recent events in China were not significant.

Economists predicted fourth-quarter results would begin to register the impact on top of the usual slowdown in the post-Christmas order period.

The department said the performance of domestic exports in June varied among major markets with those to Japan and China rising significantly, to the U.S. moderately, while those to West Germany and the UK fell slightly.

The figures were not made available.

Inflation Surges in June

HK2607020589 Hong Kong HONGKONG STANDARD in English 26 Jul 89 p 1

[By Andrea Pawlyna]

[Text] Inflation in June surged 11 percent over the same month last year, hitting its highest level in more than five years, according to figures released yesterday by the Census and Statistics Department.

It was the second double-digit leap in a row for the Consumer Price Index (A).

The index measures monthly household spending of people who earn between \$2,000 and \$6,499 a month.

The year-on-year inflation rate for May was 10.6 percent.

The last time it reached that level was in February 1984 when the rate was 11.1 percent.

The Consumer Price Index (B), which tracks monthly spending by people earning from \$6,500 to \$9,999, jumped 10.3 percent over the same month last year, compared with the 10.1 percent rise recorded in May.

Food prices bore the brunt of the increase, with prices higher by 14.8 percent and 14.7 percent respectively than in June 1988.

Economists are divided over the course inflation will take.

"I think it will edge up a little further in the coming months," said Law Cheung-kuok, deputy director of research for BT Brokerage (Asia) Ltd.

Despite an anticipated slowdown in the economy, he felt the rate would hover about 10 percent through the first six months of next year.

"There won't be any downturn before 1990," he declared, adding that inflation had a momentum of its own that can take time to ease.

He said he was basing his prediction on the unrelenting inflation plaguing China, with its resulting spillover effect on food imports, as well as on the Government's plan to increase rents at many public housing estates from September.

"That will add 1 percent to inflation by itself," he said.

The view offered by Robert Tam, an economist at Hong Kong and Shanghai Bank, was more optimistic.

"We think inflation will stay at 9.5 to 10 percent. By the end of the year we think we should see some slowing down in inflationary pressure," he said.

Both men said the brakes being put on the territory's economic growth was in line with the general weakening of the world's economy.

But they stressed this did not mean Hong Kong was facing a recession.

"The growth rate will probably be around four percent in 1990, compared to 5 percent this year. There won't be a recession," Mr Law said.

In the Government's report, the broader-based Consumer Price Index (A) increased to 129.9 (Base October 1984/September 1985), and the narrower-based CPI (B) to 129.3.

They were up 1.1 percent and 0.9 percent respectively over May.

June's Hang Seng Index was 135.7, up 11.0 on the year and 0.8 percent over May.

The index covers about 10 percent of households that spend \$10,000 to \$24,999 a month.

In the 12 months to June, the CPI (A) and (B) indices increased at an average monthly rate of 9.1 percent and 8.8 percent respectively.

Services posted a 10.8 percent rise for the CPI (A) and an 11 percent jump for the CPI (B) over the previous year. Compared with May, they were up 1.4 percent and 1.1 percent respectively.

The Government blamed the increases on higher charges for telephone services, cinema entertainment and medical treatment.

Consumer Price Indices

Year	Period	Oct 1984-Sep 1985 equals 100		Hang Seng CPI percent
		CPI (A)	CPI (B)	
1988	Q1	6.8	6.7	7.6
	Q2	7.0	7.0	8.4
	Q3	8.1	7.9	9.2
	Q4	7.9	7.8	9.5
1989	Q1	9.8	9.4	10.7
	Jan	9.5	9.1	10.5
	Feb	10.5	10.0	11.1
	Mar	9.5	9.2	10.6
	Apr	9.6	9.3	11.0
	May	10.6	10.1	11.1
	Jun	11.0	10.3	10.0

CPI (A) refers to households spending between \$2,000 and \$6,499 a month & CPI (B) between \$6,500 and \$9,999 a month.

Computer Joint Venture Succeeds in Hong Kong
OW2707001589 Beijing XINHUA in English
0724 GMT 25 Jul 89

[Text] Hong Kong, July 25 (XINHUA)—The Legend Technology Ltd., a computer joint venture backed by Beijing scientists, has grown up to be one of the most successful computer firms in Hong Kong.

The enterprise was formally launched on June 23, 1988 by three parties—the New Technology Developer Incorporation of China, the Daw Computer Systems Ltd. Of Hong Kong and the China Technology Trade (H.K.) Ltd.

At the end of its first year of operation, the company's sales volume surpassed 120 million H.K. dollars and its profits more than recovered its investment of 900,000 H.K. Dollars.

Liu Chuanzhi, managing director of the Legend Technology, told the reporter that the secret of his company's success is it has been ideally structured and advantageously located.

"Hong Kong has an easy access to market information and new materials, and the Beijing-based New Technology Developer Incorporation has first-class scientists who master a wide range of expertise in computer technology," he added.

Ni Guangnan, a senior engineer of the company, has made a series of major breakthroughs in computer industry in China. One of his notable achievements is the invention of the "Lianxiang" ("contextual") Chinese-character-input-cards. If your computer is installed

with the card and related software, most of the probable words or phrases related to the input Chinese character will be displayed on the screen for you to choose.

Nowadays the LX-PC Chinese card is quite popular on the Chinese market and is also sold through the Legend Technology Ltd. in Hong Kong.

Legend's first year of business mainly concentrated on the trading of "Ast" brand computers and designing of its own products. Now they have reached their initial target of accumulating funds and market information for developing its own computers for China and other overseas markets.

"When our samples were presented at international fairs in Federal Germany and the United States earlier this year, they were very well appreciated," Liu said.

The company has already started manufacturing Model 80-286 personal computers. With specially designed mother-boards which have incorporated features of mini-computers, the personal computer works at a faster speed and is housed in a smaller case compared with other similar models.

"We are also planning a production line in Shenzhen to keep our price competitive and meet with the growing demands of the market," he said.

Liu added that their next goal is to set up a more comprehensive marketing system, and a further step forward will make the company publicly owned and more international through selling shares at the Hong Kong Stock Exchange.

Hong Kong To Develop Trade in Asia-Pacific Region

OW2707010189 Beijing XINHUA in English
0736 GMT 25 Jul 89

[Text] Hong Kong, July 25 (XINHUA)—The Hong Kong government is boosting its trade program in the Asia-Pacific region with visits by Australian and New Zealand officials later in the year.

A report from the SOUTH CHINA MORNING POST said Hong Kong's official visit program has been extended to these two countries, after Japan, foreign ministers and other top decision-makers will tour Hong Kong under the exercise.

The paper quoted Trade Department Assistant Director Matthew Cheung Kin-cheung as saying that the program was previously aimed mostly at European and American trade partners but was expanded to include Japan last September. The regional drive will be stepped up to cover other neighbors in the region.

Cheung said the visits from top brass aimed at creating a better understanding of how Hong Kong worked and the benefits offered as a trade and investment partner.

"Our primary objective is improved trade relations, not immediate results," he added.

He said, "Trade within the region is surging. We must grab a share of the pie."

In 1978 Asia accounted for 40 percent of Hong Kong's total trade, rising a decade later to 58 percent.

In terms of domestic exports, Hong Kong's sales to Asian neighbors rose dramatically as well: to Japan by 22 times, to South Korea by 66 times, and to other Asian countries by 17 times since 1970.

Japanese Computer Firm Sets Up Factory in Hong Kong

*OW2107182189 Beijing XINHUA in English
1425 GMT 21 Jul 89*

[Text] Hong Kong, July 21 (XINHUA)—The Nippon Electric Company Ltd., one of Japan's leading electric product manufacturers known as NEC, has set up a new computer factory in Hong Kong.

NEC Technologies Hong Kong Ltd. will begin in October mass-producing personal computers, disk drives and printers at its Sha Tin factory which involves a total investment of 33 million H.K. dollars.

The company is expecting a turnover of 20 billion yen (about 1.08 billion H.K. dollars) for the next financial year, with an annual sales growth of 20 percent.

Managing Director Kazuhiro Kobayashi said, "We believe in (Hong Kong's) long-term prospects and stability as an international trade and finance center."

He said the events in China had not delayed the decision, made late last year, to establish NEC Tech. In addition, the new company would begin sourcing components from Shenzhen in the middle of next year on a contractual basis, he added.

The company's major market will be the United States and Europe, with a lesser proportion going to Japan as NEC has already dominated the market there.